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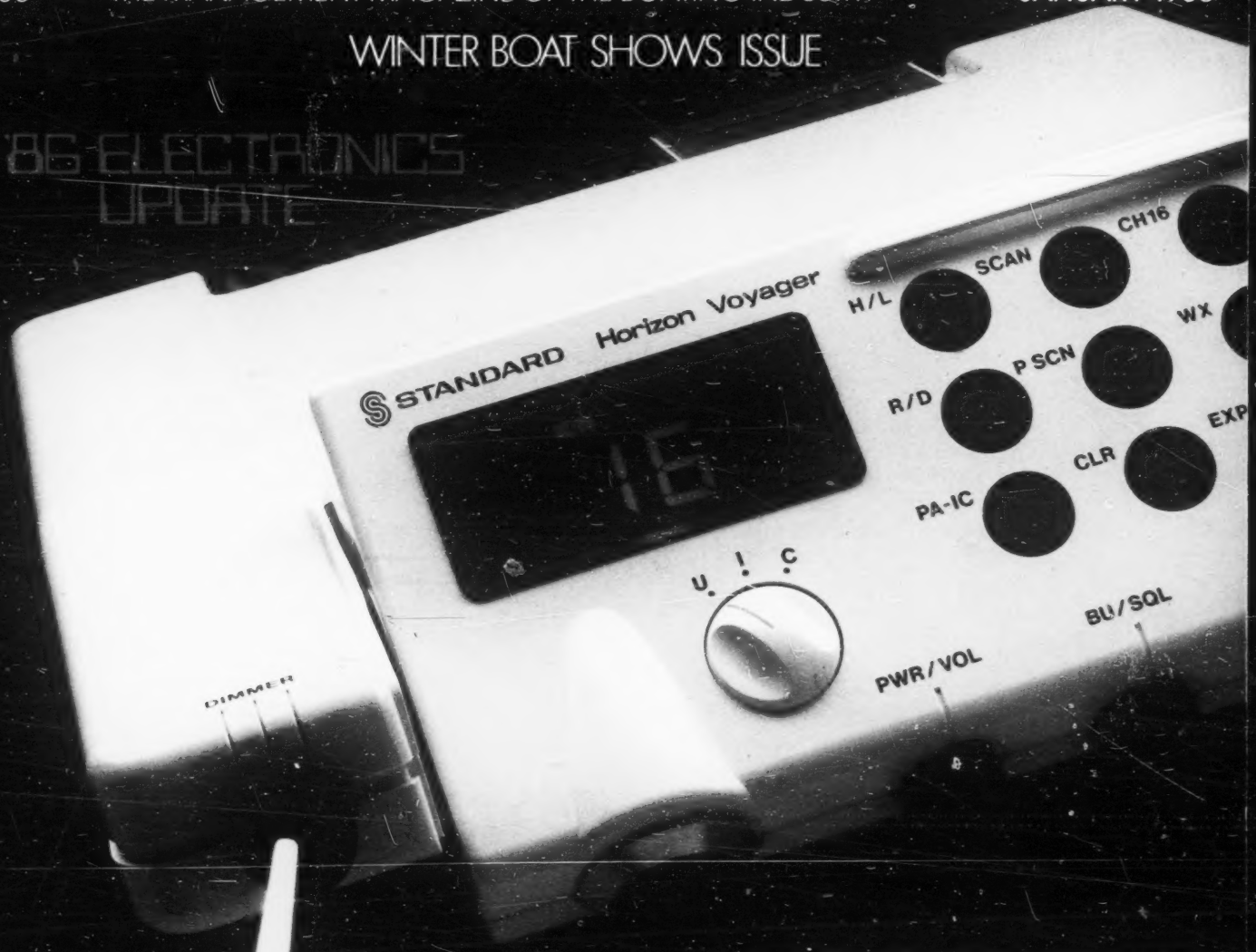
BOATING INDUSTRY

$5.00 THE MANAGEMENT MAGAZINE OF THE BOATING INDUSTRY JANUARY 1986

WINTER BOAT SHOWS ISSUE

'86 ELECTRONICS UPDATE



The Boating Business: 1985

Promoting With Celebrities

Computer Software Buyers' Guide

Packaging Finance & Insurance

How to Price Service

BOATING INDUSTRY

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If you're looking for information about a boating business computer system, this convenient checklist of computer software and features is a good place to start.

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Marine electronics manufacturers are beginning the new year solidly in the black. As consumers turn to the accessory market, the '86 forecast calls for market growth to brush the 20% mark.

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Marine electronics manufacturers expect a banner year in '86. Boating consumers, bent on keeping pace with ever-changing marine technology, are expected to continue heavy buying of electronic accessories to upgrade their boats. PHOTO COURTESY STANDARD COMMUNICATIONS

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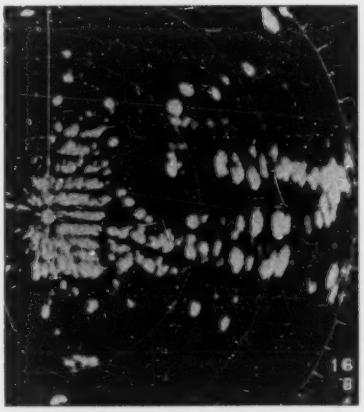


marine electronics sales soar 69

BOATING INDUSTRY

The Boating Business

This is a report on the current state of the pleasure boating industry based on the latest information available. The statistics presented here were compiled by the editors of BOATING INDUSTRY for use as business guidelines during 1986. Some figures are based on our own nationwide surveys, others from materials provided by the National Marine Manufacturers Association, the Water Ski Industry Association, the U.S. Coast Guard, the U.S. Chamber of Commerce, and individual manufacturers and groups. Dollar sales grew an average of 10% in 1985, and all indicators point to greater growth in 1986.

1985

1985 Estimates of the Size of the Recreational Boating Industry

ACROSS THE COUNTRY

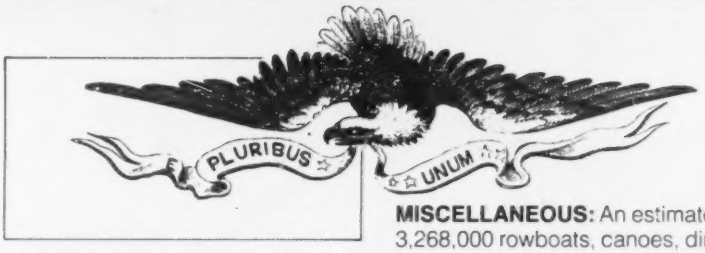
PEOPLE: 67,880,000 Americans participated in recreational boating in 1985, having used the waterways more than once or twice during the year.

WATER SKIERS: Approximately 16,000,000 went water skiing.

BOATS: 13,900,000 pleasure craft made their way through U.S. waters. The following is a breakdown by boat type and propulsion. Due to this format, the total of these individual estimates will exceed the total pleasure craft population estimate quoted above.

OUTBOARD BOATS: 7,471,000 outboard boats owned in the U.S.

INBOARD BOATS: The 442,000 inboard boats owned include auxiliary-powered sailboats and boats documented by the U.S. Coast Guard.



SAILBOATS: 1,174,000 sailboats without inboard power were in use in 1985 on all waters.

OPEN-DECK BOATS: An estimated 122,000 pontoon boats were in use.

HOUSEBOATS: 31,000 houseboats were estimated to have been in use.

INBOARD/OUTDRIVE BOATS: There were an estimated 1,032,000 in use at the close of 1985.

MISCELLANEOUS: An estimated 3,268,000 rowboats, canoes, dinghies, prams and other miscellaneous craft were owned at the end of 1985.

OUTBOARD MOTORS: 9,733,000 outboard motors were in use during 1985.

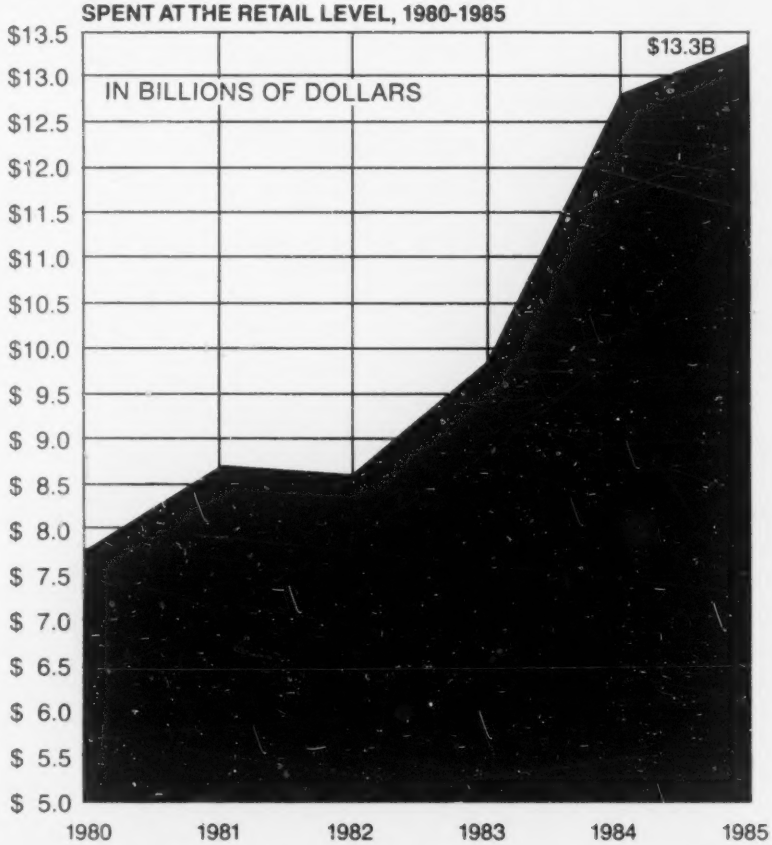
INBOARD ENGINES: Approximately 1,895,000 inboard gasoline and diesel engines were owned, including conversions of automotive engines.

JET DRIVES: By the end of 1985, it is estimated that the number of jet drives in use was 97,000.

BOAT TRAILERS: Approximately 5,171,000 boat trailers were owned in 1985, including those that were both home-made and factory-produced.

MARINAS: Approximately 10,669 marinas, boatyards, yacht clubs, dockominiums, and parks served boaters in the United States during 1985. Marinas, boatyards, and dealer/marina combos accounted for approximately 5,700 units.

SPENT AT THE RETAIL LEVEL, 1980-1985



1985 SALES ESTIMATES

Approximately $13,284,000 was spent at the retail level for new and used boats, motors and engines, accessories, safety equipment, fuel, insurance, docking, maintenance, launching, storage, repairs, and club memberships.

305,000 outboard boats
16,700 inboard boats
115,000 inboard/outdrive boats
34,000 non-powered sailboats (excludes sailboards)
3,800 auxiliary-powered sailboats
78,800 canoes
192,000 boat trailers
392,000 outboard motors
33,500 inflatable boats

NOTE: All estimates include consideration of retail sales from dealers' inventories as well as factory shipments. Previous years' data reflect only the latter.

An Overview of 1985 in the Boating Industry

The boating industry went through a transition year in 1985. The pent-up consumer demand which had characterized the previous three years suddenly bottomed-out last year forcing the pleasure boating industry into a more normal business cycle after unprecedented growth in 1984. This business cycle meant that no particular product category did exceptionally well (compared with 1984 sales), but it also meant that no particular product category did poorly, with the exception of the sailboat industry which experienced one of its worst sales years in its history. Conversely, the powerboat industry experienced one of the best years in its history as the American consumer continued to be attracted by its turn-the-key phenomena. Low fuel prices and the increasing proclivity of manufacturers to sell their boats in "packages," have made powerboats an enduring market segment.

In addition, engines, trailers and accessories also experienced solid growth gains. This is particularly true of the accessory market. Toward the latter half of 1985, we began to see a trend of consumers upgrading their boats more than ever. That trend should continue into 1986 because most people who've wanted to buy a boat already have—now they're looking to spruce it up. Marine electronics, galleyware, foulweather gear, and maintenance products, all sold very well in 1985 and should do even better in 1986.

The stabilization of the pleasure boating industry was perhaps best seen in the area of marine lending, as consumers had widely available outlets from which to borrow at terms and rates they could afford.

A LOOK AT OTHER HAPPENINGS IN THE WORLD OF BOATING

1985 was a "settling" year with many old trends ending and many new ones beginning. There were also numerous ongoing issues of major proportion which continue to concern many in the pleasure boating industry. Let's look at a few of those key issues.

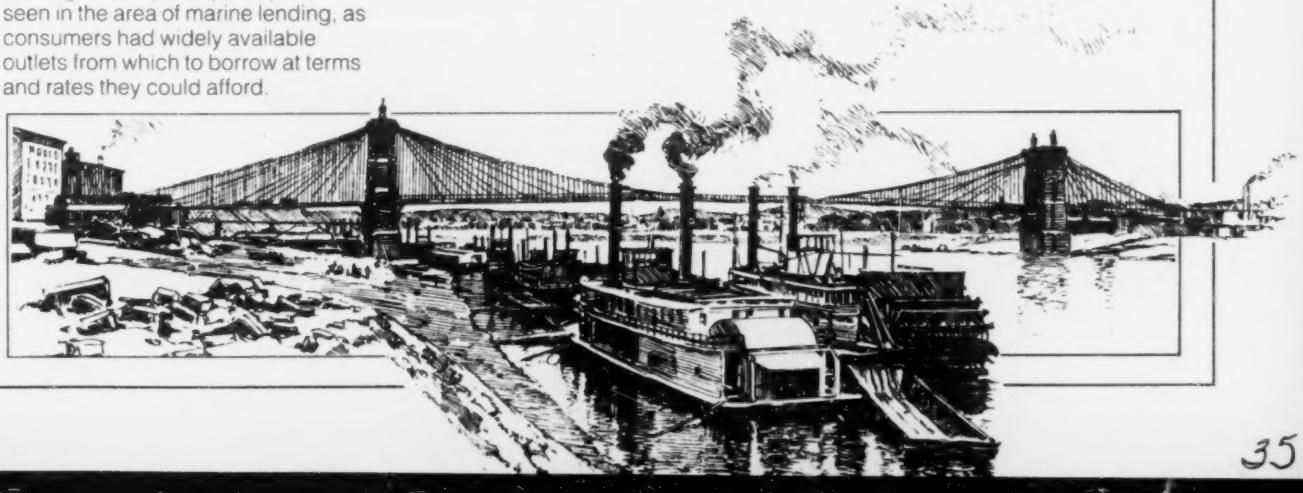
- Waterfront Dockominiums. This growing trend has meant a growing loss of slip space and shorefront as increasing numbers of marina operators have sold out to big buck real estate developers. Dockominiums have become especially prevalent in the Northeast, Mid-Atlantic states and in Florida. California is the next target for dockominium expansion.

- President Ronald Reagan's tax proposal for a $5,000 maximum interest deduction was another issue that deeply concerned the boating community in 1985. As of press time, this issue has still not been resolved. A maximum interest deduction of such a small amount could adversely affect the sales of large cruisers and sailboats (30-feet & up). Proponents of the tax measure have argued that such clients are "gold-coasters" who could afford such a tax ceiling and would probably buy that large cruiser or sailboat regardless. Opponents of the tax measure have countered that such a restriction would dissuade many mid-size boat owners from trading-up to larger craft. That is probably true; but it's also true that the tax measure is likely to be heavily revised and perhaps leave boating unscathed.

- Boat "packaging" from manufacturer to dealer, became a popular marketing ploy last year. Boatbuilders such as Sea Ray and Bayliner and Hunter Marine all utilized this marketing concept to enhance sales by moving product across three product areas: boat, engine and trailer. This created less work on the part of the dealer in terms of rig-time. And it gave the consumer low price product without the need to mix and match. 1986 should see the continuance of this trend especially among sailboat builders who are searching for cost-effective ways to reverse the red ink.

- Another major development in 1985 was the large number of mergers and acquisitions within the industry. More than 100 such exchanges of command took place; most notably Minstar, the corporate conglomerate headed by Irwin Jacobs who added AMF Hatteras and Wellcraft to his already impressive stable of subsidiaries. Such mergers and acquisitions have concentrated the forces that be within the industry, which can only mean that vertical integration cannot be far behind.

- Finally—innovation. The boating industry witnessed several new innovative products last year such as OMC's Cobra. And new introductions for '86 such as Volvo Penta's 170 diesel and Wellcraft's state-of-the-art Scarab 46. Profits from 1984 made 1985 a super year for research and development. That trend should begin to slacken slightly.



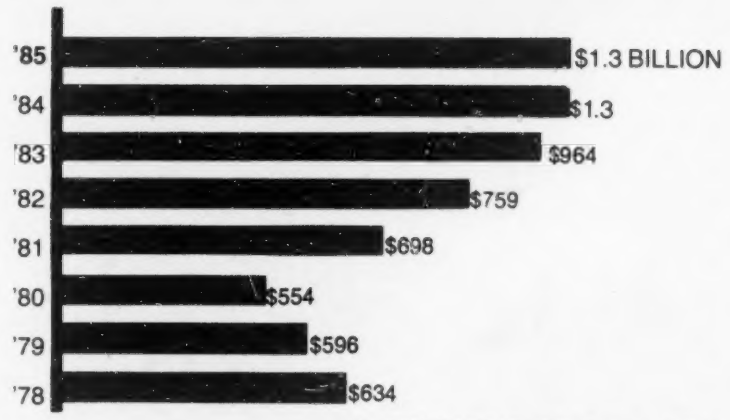
Sales of New Outboard Boats, Motors and Inboard/Outdrive Boats

IN DOLLARS AND UNITS

	1982	1983	1984	1985
$3,365 AVERAGE RETAIL COST OF 1985 OUTBOARD MOTOR				
Total units sold	293,000	337,000	411,000	392,000
Retail value	$758,870,000	$963,820,000	$1,293,828,000	$1,319,080,000
Average Value	$2,590	$2,860	$3,148	$3,365
$2,490 AVERAGE RETAIL COST OF 1985 OUTBOARD BOAT				
Total units sold	236,000	273,000	317,000	305,000
Retail value	$408,752,000	$501,501,000	$708,178,000	$759,450,000
Average value	$1,732	$1,837	$2,234	$2,490
$14,464 AVERAGE RETAIL COST OF 1985 INBOARD/OUTDRIVE BOAT				
Total units sold	55,000	79,000	108,000	115,000
Retail value	$685,850,000	$974,860,000	$1,442,016,000	$1,663,360,000
Average value	$12,470	$12,340	$13,352	$14,464
$790 AVERAGE RETAIL COST OF 1985 TRAILER				
Total units sold	160,000	184,000	200,000	192,000
Retail value	$99,360,000	$121,624,000	$146,800,000	$151,680,000
Average value	$621	$661	$734	$790

Outboard Motor Sales

The average retail cost of an outboard motor continues to spiral upward. In '85 the average unit cost edged up to $3,365, an increase of $217 over the average '84 unit cost, or 7%. Unit sales in '85 declined by 19,000 units, but revenues increased by $25,000 over last year. Price discounting, a soft international market, and an increase in suppliers of outboards have impacted profits of domestic producers.



Exports Decline 8.8% in Dollar Value

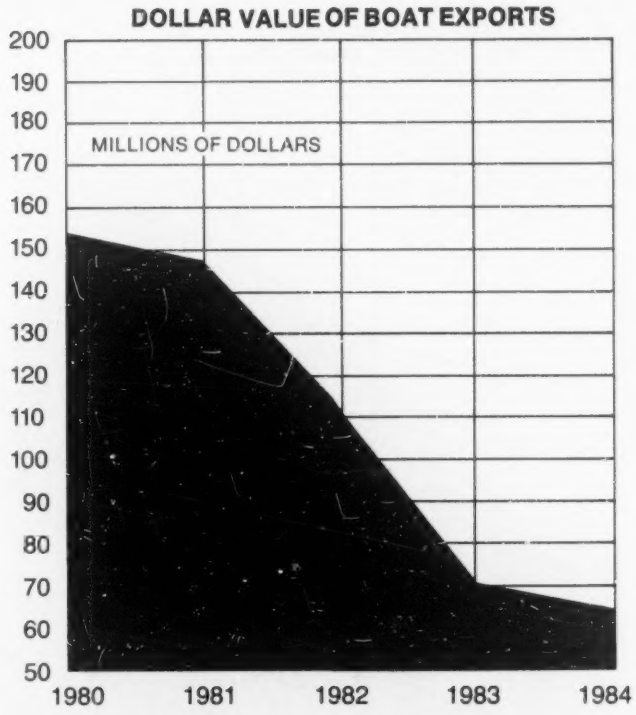
The export market for United States pleasure boats and recreational boating products continues to flounder. Despite some signs of weakening, the American dollar remains strong, discouraging overseas buyers.

The latest figures available confirm what American marketers already know—the export market is still wallowing in a trough. In '84, exports totaled $65,249,000—$6,288,000 less than the year before. In percentages, the export market has declined 42.5%—$48,412,000—in just two years.

The export market for American made sailboats, sail hardware, clothing and navigational instruments is especially weak. Better opportunities exist in boat maintenance products, steering systems, hoists, and unique hardware.

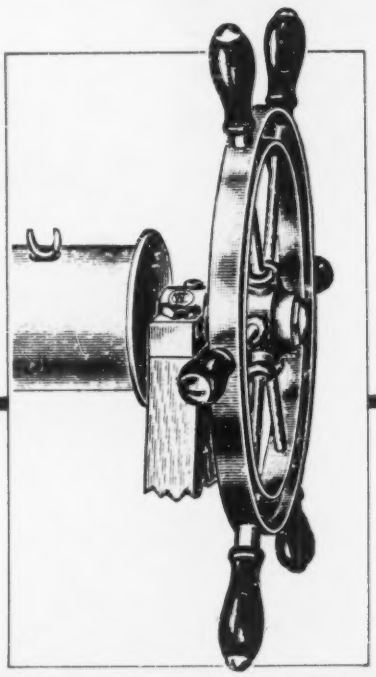
In terms of dollar volume, the leading markets for American boats and boating products were: Canada ($17.3M); Kuwait ($4.6M); France ($3.5M); Spain ($2.8M); West Germany ($2.8M); Italy ($2.6M); Nigeria ($1.5M); United Kingdom ($1.5M); Greece ($1.4M); and Australia ($1.3M).

DOLLAR VALUE OF BOAT EXPORTS



DOLLAR VALUE OF BOAT EXPORTS

Year	Value	% Change
1984	$ 65,249,000	−8.8
1983	$ 71,537,000	−37
1982	$113,661,000	−21.7
1981	$145,136,693	−26.0
1980	$154,842,274	+8.9
1979	$142,148,702	+60.2
1978	$ 88,724,112	+13.2
1977	$ 77,983,753	+4.8
1976	$ 74,434,542	+20.5

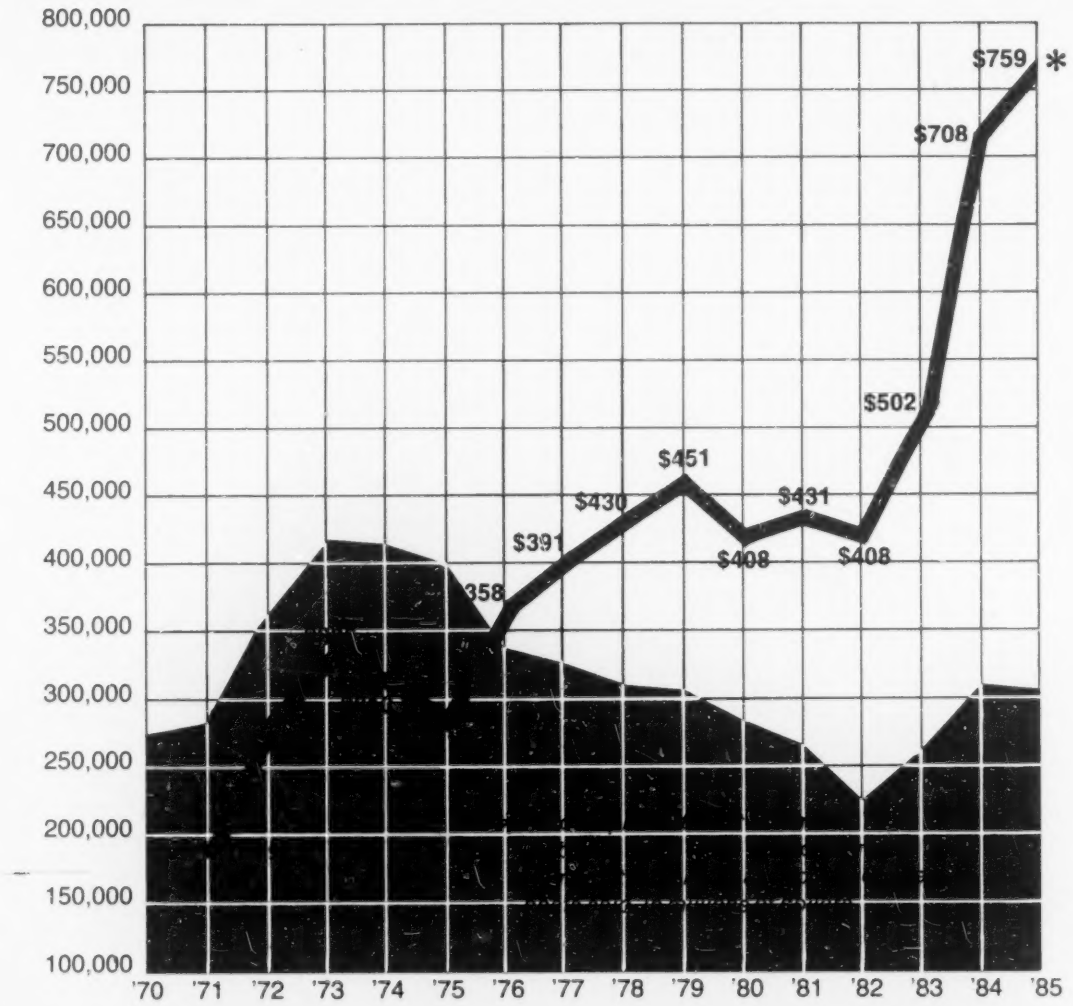


BEST EXPORT MARKETS

The markets listed below appear to be the most promising for U.S. exports of pleasure boats and accessories in the immediate future.

Canada	Italy
Kuwait	Nigeria
France	United Kingdom
Spain	Greece
West Germany	Australia

Outboard Boat Sales Level Off



Although dollar sales of outboard boats hit the $759,450,000 mark in 1985, an increase of $51,372,000 over the previous year, unit sales declined by 12,000 units to the 305,000 mark. The average price for an outboard boat purchased in '85 was $2,490, an increase of $256, or 11%, over the boater's outlay for a similar boat in 1984.

The downturn in sales is in line with the stabilizing of the marketplace. Pent-up consumer demand as a consequence of retrenched buying during the recessionary period in the early eighties, for all intents and purposes, has been satisfied. The ready availability of product and financing has positioned the buyer squarely in the driver's seat. It is expected that outboard sales will continue at strong levels in '86 powered by innovation in hull designs, more efficient, high-tech powerplants, and the promotional blitz being waged by outboard manufacturers; especially in the area of megabuck fishing tournaments.

Average Length of Outboard Boats Hold Steady at Sixteen Feet

AVERAGE LENGTH

1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
14.8 FEET	14.9 FEET	15.1 FEET	16.3 FEET	15.8 FEET	15.8 FEET	15.8 FEET	15.8 FEET	16.0 FEET	16.0 FEET

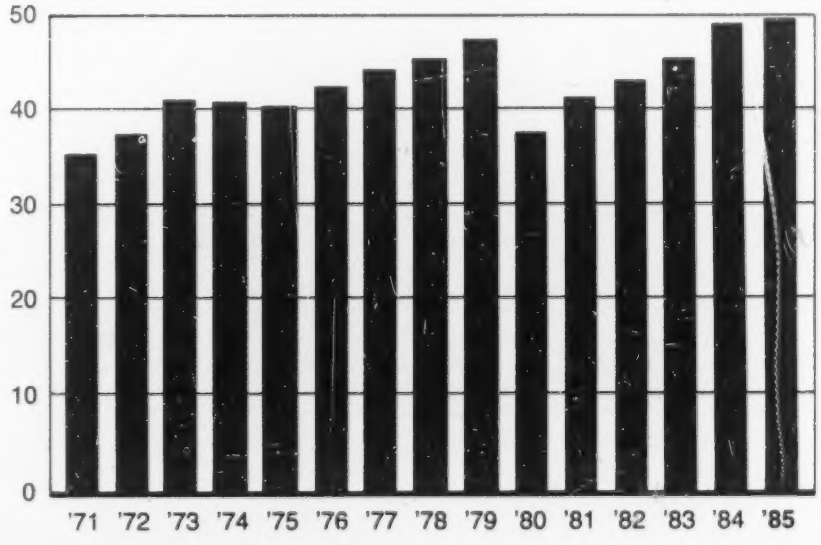
In 1985, the average length of outboard boats sold held steady at 16 ft. The marketing strategies employed by several of the giants in small boatbuilding have made a significant impact on the brisk sales pace of outboard boats in the 16 ft. range. Over the last few years, there has been an accelerated push to court the entry-level boater with a matched package—boat, motor, and trailer—that is affordably priced, and ready to go. This turn-key marketing approach has resulted in high volume sales of smaller boats. In addition, watersports activities are attracting growing numbers of participants; water skiing and fishing in particular. As a consequence, sport boats, ski boats, and runabouts are selling well.

More aggressive marketing at the dealer level, a revitalized interest on the part of banks and financing groups in retail paper, and the affordability of getting into boating at the ground level, is likely to maintain the popularity of the 16 ft. outboard for yet another year.

Outboard Motor Horsepower... An Upward Trend

The upward trend in average horsepower that started in '81 shows little sign of abatement. In '85, the average horsepower of outboard motors sold increased to 49.7, nosing ahead of the 48.9 rating in 1984.

High volume sales of entry-level "boat packages" which incorporate outboards in the 50 horsepower range, as well as vigorous growth in watersports activities whose power needs dovetail into the capabilities of the 50 horsepower outboard, have helped make this powerplant "number one" the last two years.



1984 Imports Show Hefty 37% Increase

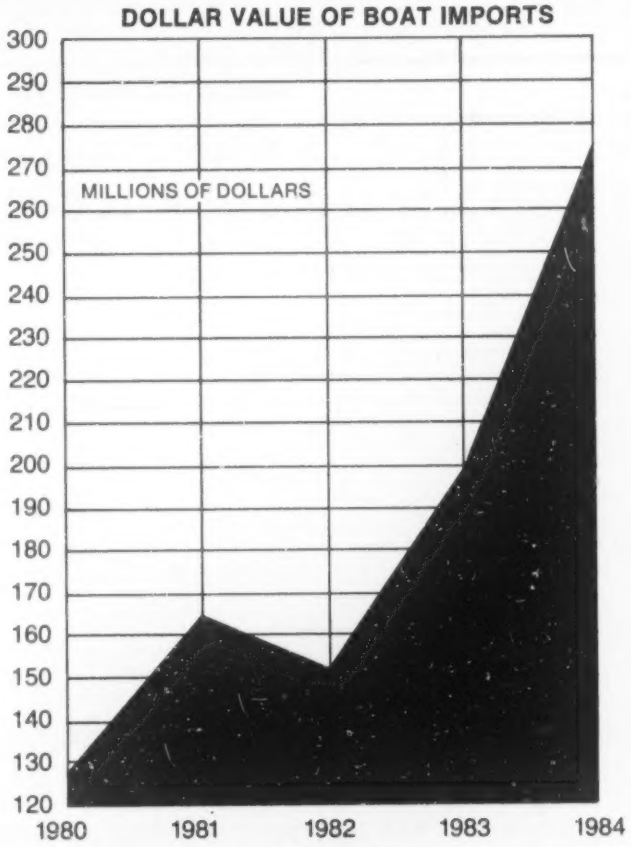
The purchasing power of the American dollar has made the U.S. market especially appealing to exporters. A stream of pleasurecraft is flowing into the hands of anxious American consumers who are enamored with the sleek designs and quality of many imported boats.

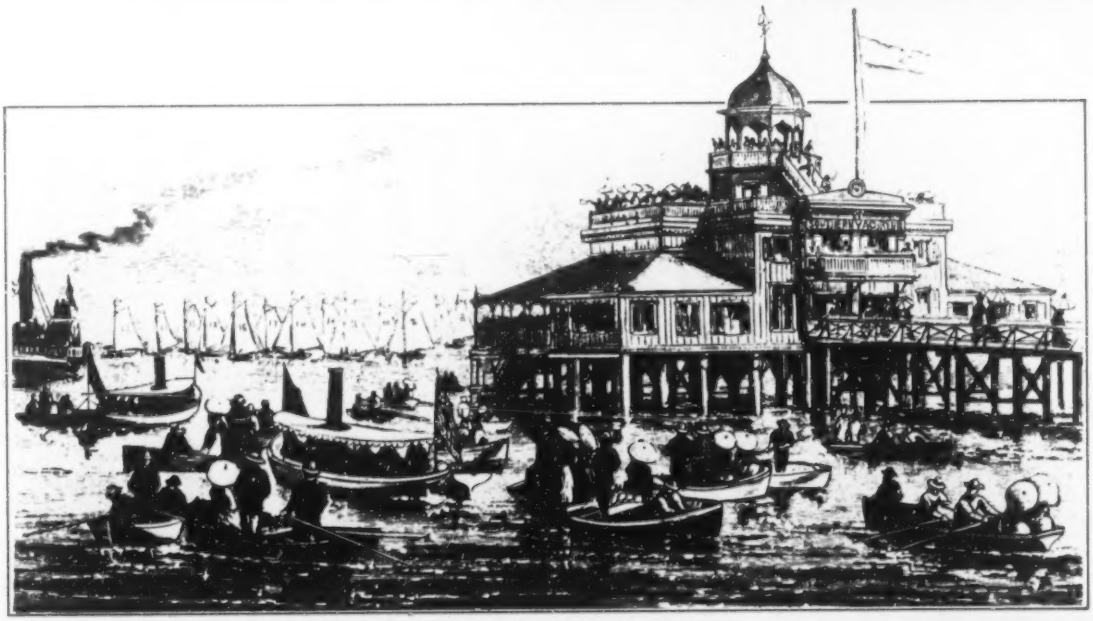
In 1984, the dollar value of boats exported to the United States hit the $273.7 million dollar mark.

The major boat exporters to the United States were: Taiwan ($92.5M); Canada ($37.6M); Singapore ($28.3M); France ($24.2M); Japan ($21.1M); United Kingdom ($17.2M); Netherlands ($14.7M); Finland ($12.0); Hong Kong ($11.8M); Italy ($9.5M);

DOLLAR VALUE OF BOAT IMPORTS

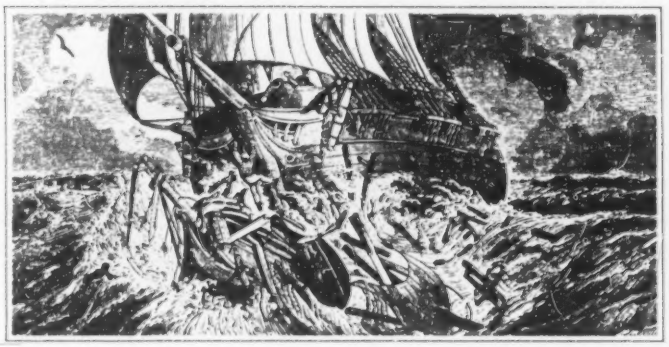
Year	Value	% Change
1984	$273,682,000	+37
1983	$199,359,000	+32
1982	$151,225,000	−8.2
1981	$164,712,949	+28.0
1980	$128,233,550	−4.7
1979	$134,541,117	+27.3
1978	$105,657,112	+32.1
1977	$ 79,965,379	+41.4
1976	$ 56,587,692	+9.1





Accidents Up in 1984

The number of boating accidents continued their upward climb in 1984. There were 5,700 boating accidents reported to the Coast Guard in 1984 up from 5,569 the previous year. Industry analysts attribute the increase to the expanded number of boaters on the water. However, it should also be noted that the number of persons who died or were injured non-fatally in accidents, saw a decline. This would indicate that boaters have become more experienced and more careful on the water.

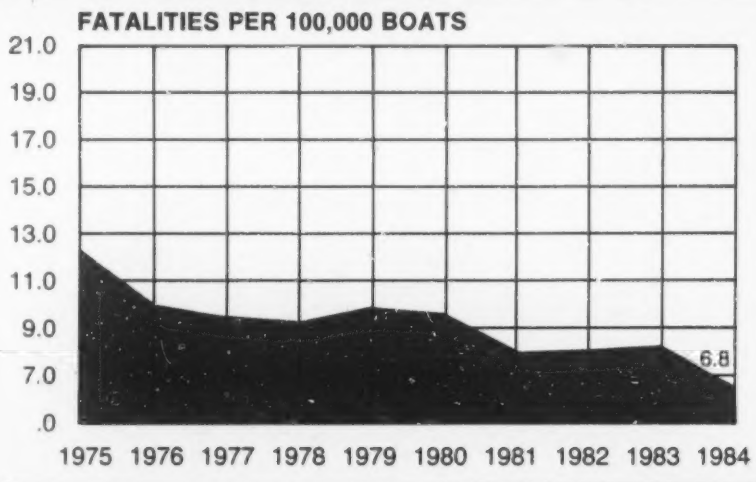


1981	1982	1983	1984	
5,128	5,377	5,569	5,700	boating accidents reported to the Coast Guard
6,573	7,071	7,344	7,510	boats involved in accidents reported to the Coast Guard
1,208	1,178	1,241	1,063	lives lost in boating accidents reported to the Coast Guard
2,438	2,682	2,913	2,709	persons injured non-fatally in boating accidents reported to the Coast Guard

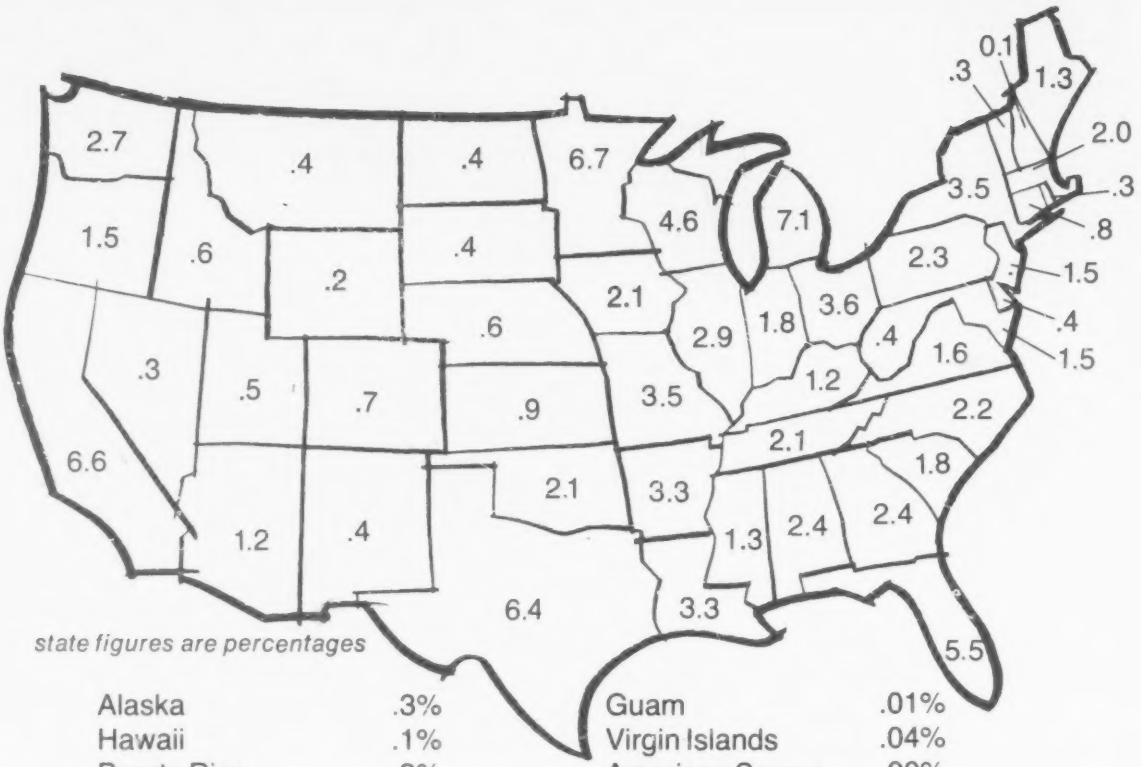
Fatalities Rise: Death Rate Per 100,000 Boats Decreases to 6.8

In 1984 the death rate per 100,000 boats declined dramatically from 8.1 in 1983 to 6.8 in 1984.

Marine analysts point to increased safety precautions on the part of the consumer as the key factor. Mr. Boat Owner has simply become more knowledgeable about the importance of boating safety. This was not true between 1982 and 1983 when a revitalized U.S. economy brought a deluge of new, inexperienced boaters onto the water. The point: those boaters have come of age.



Distribution of 9,420,011 Registered Boats by State



Alaska	.3%	Guam	.01%
Hawaii	.1%	Virgin Islands	.04%
Puerto Rico	.3%	American Samoa	.00%
District of Columbia	.05%	Northern Marianas	.00%

States	Population (thousands)	Total Registered Boats	% of Total Registered Boats in the U.S.	One Boat Per( ) Persons	Sq. Miles Inland Water	Miles of Coastal Shoreline	EFFECTIVE BUYING INCOME			
							Per Capita	Median Household	Total Households (thousands)	Total Households over $20,000 (thousands)
NEW ENGLAND—444,820 REGISTERED BOATS 4.72%										
Connecticut	3,152.8	72,591	0.77	43.4	147	618	14,096	34,107	1,142.3	847.3
Maine	1,165.8	117,842	1.25	9.9	2,270	3,478	9,303	22,359	422.3	236.5
Massachusetts	5,807.9	184,140	1.95	31.5	460	1,519	12,277	29,471	2,142.9	1,449.3
New Hampshire	982.4	9,242	0.10	106.3	286	131	11,365	27,648	356.9	237.5
Rhode Island	963.0	31,231	0.33	30.8	158	384	10,976	26,622	347.8	220.9
Vermont	533.4	29,774	0.32	17.9	341	—	9,357	22,235	194.4	108.8
MIDDLE ATLANTIC—1,619,549 REGISTERED BOATS 17.19%										
Delaware	615.0	37,402	0.40	16.4	112	381	11,215	28,023	217.9	144.1
District of Columbia	618.1	3,391	0.04	182.3	—	—	14,176	27,825	250.1	163.1
Georgia	5,889.6	225,812	2.40	26.1	854	2,344	9,678	23,393	2,064.8	1,186.7
Maryland	4,381.6	142,795	1.52	30.7	623	3,190	11,554	28,976	1,567.6	1,070.7
New Jersey	7,545.8	140,884	1.50	53.6	319	1,792	13,199	32,556	2,724.5	1,947.6
New York	17,915.5	331,742	3.52	54.0	1,731	1,850	11,723	27,161	6,616.6	4,204.5
North Carolina	6,215.9	202,908	2.15	30.6	3,826	3,375	9,135	21,823	2,240.6	1,221.9
Pennsylvania	11,965.4	217,293	2.31	55.1	420	89	10,572	25,213	4,451.8	2,739.3
South Carolina	3,353.4	168,323	1.79	19.9	909	2,876	8,514	20,969	1,172.0	614.9
Virginia	5,692.4	148,999	1.58	38.2	1,063	3,315	11,015	27,170	1,982.2	1,288.1

The source of the figures used in the Effective Buying Income section and Population section are from the July, 1985 issue of *Sales and Marketing Management*. The figures are estimated for 12/31/84.

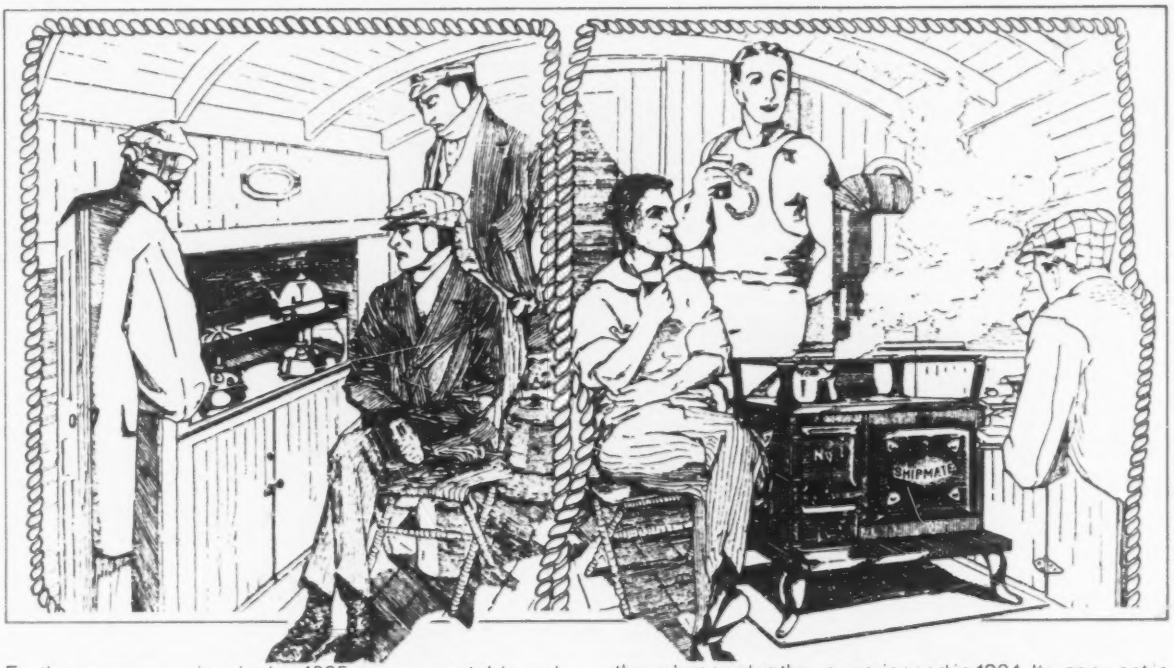
The source of the figures used in the Inland Water section is the U.S. Bureau of the Census, Areas of the U.S., 1980 State Area Management Print-out.

The source of the Coastal Shoreline figures is the U.S. National Oceanic and Atmospheric Administration, *the Coastline of the U.S.*, 1975.

States	Population (thousands)	Total Registered Boats	% of Total Registered Boats in the U.S.	One Boat Per ( ) Persons	Sq. Miles Inland Water*	Miles of Coastal Shoreline	EFFECTIVE BUYING INCOME			
							Per Capita	Median Household	Total Households (thousands)	Total Households over $20,000 (thousands)
GULF COAST—1,781,202 REGISTERED BOATS 18.91%										
Alabama	4,042.4	229,890	2.44	17.6	938	607	8,538	19,846	1,464.8	727.1
Florida	11,166.0	517,365	5.49	21.6	4,511	5,095	10,758	22,338	4,393.0	2,439.9
Louisiana	4,500.7	312,119	3.31	14.4	3,230	7,721	9,395	22,745	1,567.9	869.5
Mississippi	2,627.2	122,237	1.30	21.5	456	359	7,642	18,099	899.2	408.6
Texas	16,167.6	599,591	6.37	27.0	4,790	3,359	10,693	26,004	5,647.6	3,503.8
EAST CENTRAL—988,005 REGISTERED BOATS 10.49%										
Arkansas	2,377.8	309,831	3.29	7.7	1,109	—	8,339	19,018	858.3	408.1
Kentucky	3,769.7	114,546	1.22	32.9	740	—	8,968	21,373	1,336.6	708.9
Missouri	5,046.6	328,440	3.49	15.4	752	—	10,267	24,002	1,842.7	1076.7
Tennessee	4,759.9	196,446	2.09	24.2	989	—	9,234	21,328	1,729.3	918.3
West Virginia	1,972.5	38,742	0.41	50.9	112	—	8,504	20,183	724.0	365.1
GREAT LAKES—2,517,712 REGISTERED BOATS 26.73%										
Illinois	11,552.9	275,470	2.92	41.9	700	—	11,664	28,542	4,208.9	2,794.2
Indiana	5,556.9	173,006	1.84	32.1	253	—	9,824	24,802	1,986.7	1,215.3
Michigan	9,180.2	665,540	7.07	13.8	1,573	—	10,693	27,111	3,291.4	2,119.5
Minnesota	4,183.6	629,291	6.68	6.6	4,854	—	11,156	27,037	1,530.7	985.4
Ohio	10,813.8	338,184	3.59	32.0	325	—	10,407	25,433	3,996.2	2,477.5
Wisconsin	4,788.3	436,221	4.63	11.0	1,727	—	10,482	25,695	1,767.4	1,108.8
WEST COAST—1,013,070 REGISTERED BOATS 10.75%										
California	25,806.6	619,087	6.57	41.7	2,407	3,427	12,160	28,348	9,490.5	6,254.6
Oregon	2,693.3	140,003	1.49	19.2	889	1,410	9,845	22,796	1,024.6	582.2
Washington	4,386.4	253,980	2.70	17.3	1,627	3,026	11,307	25,694	1,692.1	1,047.9
MIDWEST MOUNTAINS—990,467 REGISTERED BOATS 10.51%										
Arizona	3,106.3	112,047	1.19	27.7	492	—	9,865	22,658	1,167.4	657.9
Colorado	3,224.7	66,016	0.70	48.8	496	—	11,639	26,549	1,240.8	795.6
Idaho	1,017.1	67,471	0.72	15.1	1,153	—	8,882	22,705	348.2	197.7
Iowa	2,941.3	175,470	1.86	16.8	309	—	10,310	23,963	1,118.7	662.4
Kansas	2,448.0	83,305	0.88	29.4	499	—	11,767	26,762	921.6	588.9
Montana	827.6	34,395	0.37	24.1	1,657	—	9,340	21,546	314.7	169.3
Nebraska	1,619.4	54,913	0.58	29.5	711	—	10,831	24,698	607.9	366.6
Nevada	920.4	31,288	0.33	29.4	667	—	11,328	24,526	369.4	223.9
New Mexico	1,451.1	34,114	0.36	42.5	258	—	9,010	21,529	514.4	275.8
North Dakota	692.4	33,723	0.36	20.5	1,403	—	11,225	27,398	243.2	157.8
Oklahoma	3,348.6	193,022	2.05	17.3	1,301	—	10,222	22,913	1,255.2	708.4
South Dakota	713.7	33,091	0.35	21.6	1,164	—	9,782	22,304	261.6	144.4
Utah	1,680.5	51,781	0.55	32.5	2,826	—	8,350	24,263	521.9	316.7
Wyoming	515.6	19,831	0.21	26.0	820	—	11,208	28,191	187.8	125.6
NON CONTIGUOUS—65,186 REGISTERED BOATS 0.69%										
Alaska	523.7	24,608	0.26	21.3	20,171	31,383	13,917	36,028	178.7	132.7
Hawaii	1,053.9	13,112	0.14	80.4	46	1,052	11,100	30,724	328.8	230.5
American Samoa		78	.00							
Guam		690	0.01							
N. Marianas		190	.00							
Puerto Rico		23,083	0.25							
Virgin Islands		3,425	0.04							

* Excludes the waters of the adjacent Great Lakes. Areas listed in sq. miles: Lake Michigan (22,178), Lake Erie (5,002), Lake Superior (21,118), Lake Huron (8,975).

The Average Dealer, 1985



For the average marine dealer, 1985 was a very stable and profitable year. It was not the across-the-board gold rush of 1984 where nearly every product category performed briskly. But it was a year in which the average dealer improved sales by approximately 15%; another healthy increase after coming off 25% growth the previous year.

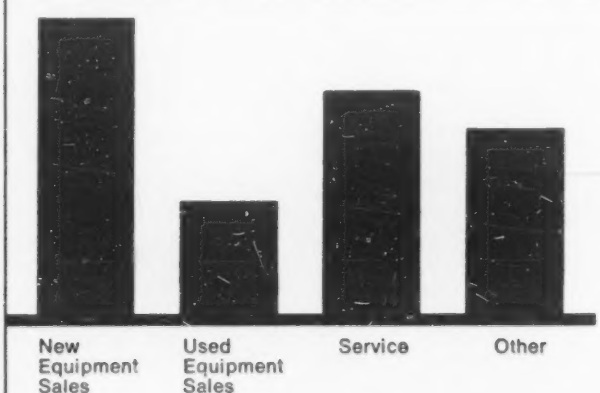
According to several surveys of dealers interviewed over the course of 1985, many retailers saw the year as bittersweet. It was bitter in the sense that 1985 did not reap the volume sales they experienced in 1984. It was sweet in the sense that many retailers felt relief that the boating industry was heading back into some kind of normal business cycle after five years of "roller-coaster" sales—never knowing from one year to the next how sales would be. As a result they felt that ordering for the 1986 season would be less problematic because product categories were easier to calibrate. There were no violent increases or decreases in any one category.

Of all types of marine dealers, it was the powerboat retailer who did particularly well; as opposed to the sailboat retailer who did poorly. In addition, retailers of marine accessory goods such as the discount houses, experienced a solid increase in sales.

As far as earnings, the average marine dealer grossed more than $800,000 in 1985 after grossing less than $700,000 in 1984. If that dealer happened to be on the waterfront, his gross revenues were well over $1 million.

As Mr. Average Dealer looks toward 1986, he will be looking at another year of stability and minimal 10% growth. His main concern is President Reagan's tax proposal which calls for a $5,000 maximum interest deduction. If passed, dealers of large and mid-sized cruisers may see a decrease in sales activity as consumers may not be so quick to "trade-up." They may want to stick with what they've got and even improve upon it in terms of internal accouterments. If this happens, then Mr. Average Dealer should experience a marked increase in accessory sales in 1986.

SOURCES OF GROSS INCOME, 1985



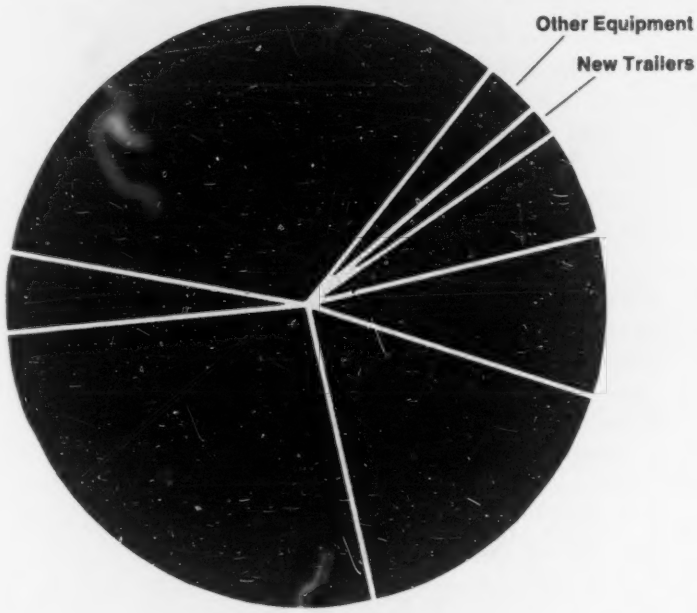
Marinas and Boatyards, 1985

The trend toward dockominiums and waterfront housing developments incorporating private marina facilities continues to gain momentum. As marina operators and waterfront-based dealers succumb to overtures from developers, there has been a proportionate decline in the number of slips available to boaters.

As a result of diminished access to coastlines, and the escalating cost of waterfront development, dry rack storage as a new revenue source for dealers and marina operators is enjoying growing acceptance. While marinas have stepped up their sales and service operations, there is great interest in adding new profit centers—emergency rescue service for stranded boaters is one example.

As a result of industry research, a more reliable census of existing boating facilities has emerged, which changes the numbers dramatically. In '84 it had been estimated that 5,789 facilities of all types were serving the needs of pleasureboaters in the United States. The revised figure for '85, ups that number fo 10,699.

MARINA INCOME: WHERE THE DOLLARS COME FROM



The Water Ski Market

PEOPLE: 15,670,000 persons participated in water skiing at least once during 1985.

UNIT SALES BY TYPE:
528,400 combination/regular skis
130,040 slalom skis
6,975 trick skis
1,512 jump skis

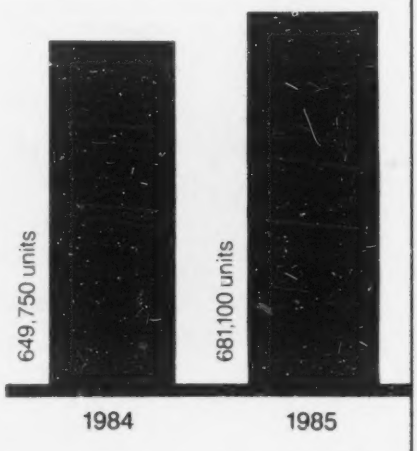
TOTAL DOLLAR SALES: Total dollar sales in 1985 at the wholesale level added up to $71,150,000; as opposed to $62,567,000 in 1984. This former figure should increase in 1986.

WATER SKI SALES: The total wholesale dollar value of water ski unit sales in 1985 was $39,450,000; as opposed to $37,250,000 in 1984.

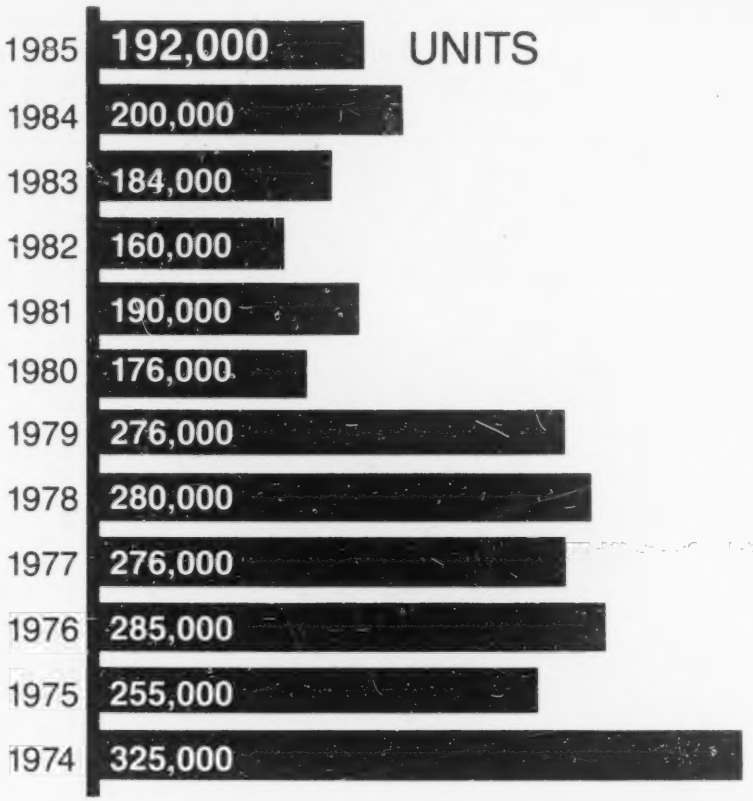
WATER SKI ACCESSORY SALES: At the wholesale level, sales of approximately $21,000,000 were reported for vests, ropes, and other water ski accessories; as opposed to total wholesale sales of $20,430,000 in 1984.

Figures tabulated from several sources, including the Water Ski Industry Association, North Palm Beach, Fla.

UNIT SALES OF WATER SKIS



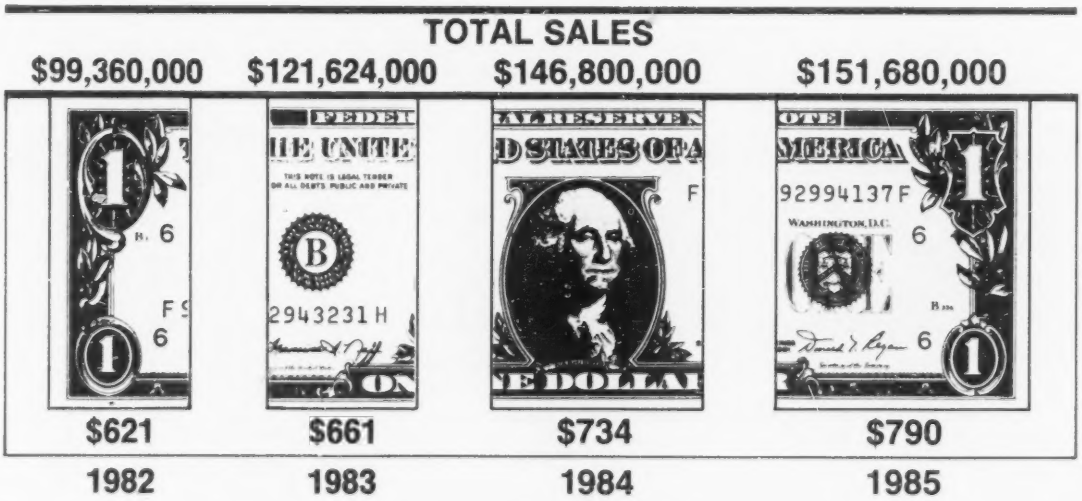
The Trailer Market Hits Plateau



In 1985 the boat trailer market showed a modest 4% decline from 1984, which happened to be an excellent selling year for trailer manufacturers.

Although average unit retail cost escalated to $734 in '85, the price increase—7.6%—was more modest than the 11% price hike paid by consumers on the average for the '84 trailers.

The dip in sales is not viewed with any measurable concern. Trailerable boat sales should keep pace as consumers turn to water skiing and sportfishing in greater numbers. The spectacular growth in popularity of bass boats should also impact favorably on the trailer market. Finally, diminished slip space as a consequence of real estate waterfront developments, and other factors, should translate into enhanced trailer sales.



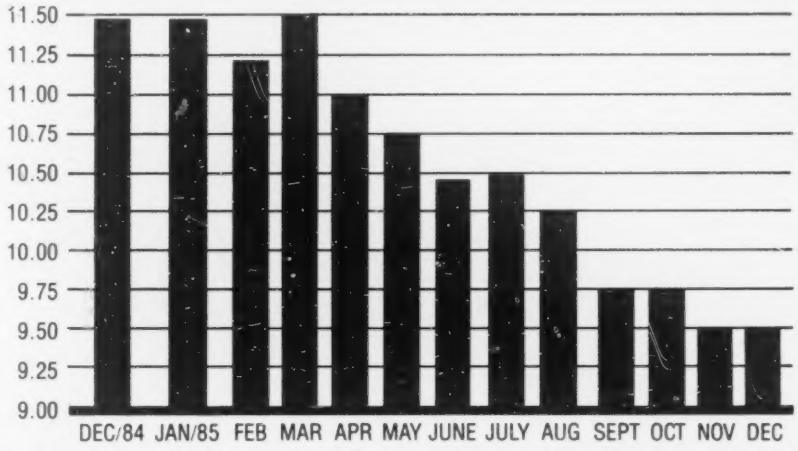
The Financial Marketplace

THE BEST IN YEARS

In 1985, the financial marketplace for consumer marine lending and dealer floorplanning could not have been better as the wide availability of funds at low rates and good terms were at its most attractive levels in years. This bullish environment allowed the recreational boating industry to expand by 20% and permit a third consecutive year of solid growth.

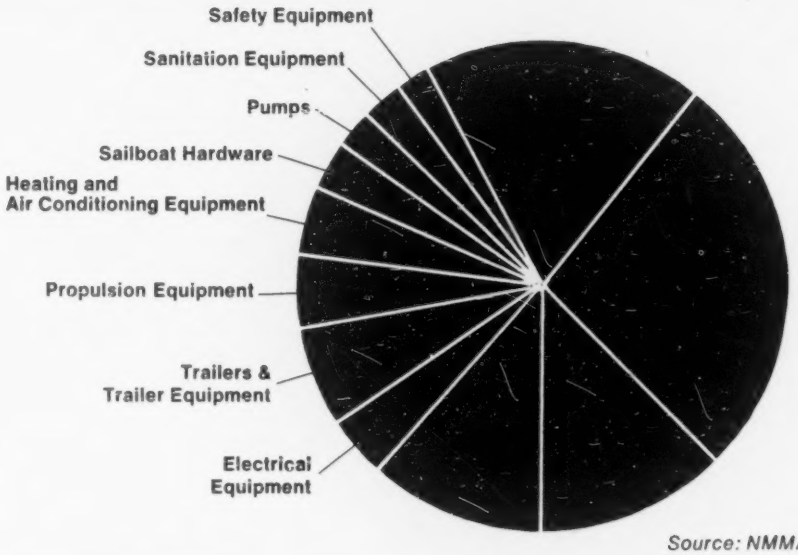
In 1985, the average prime interest rate was 10.50 percent; more than one percentage point below 1984's figure. This permitted consumers to borrow money and dealers to floorplan at affordable rates and terms. But also attracted more lending institutions to deal in marine lending. As a result, this competition spurred many boatbuilders to vie for the floorplanning business of their dealers with extremely attractive factory floorplanning programs. This trend should continue into 1986, as present economic indicators point to continued low interest rates; and, in fact, a potential drop in the prime rate. If the latter occurs, increased industry growth is highly likely. And if it doesn't occur, blame cannot be placed (as in years past) on America's commercial banks, savings & loans and national finance companies. Not since the late seventies has our economic environment been so bullish, and banks willing to look upon boating favorably. These banks have begun to realize that boat loans are a far better financial gambit than car loans.

PRIME RATE PROFILE FOR 1985



The Accessories Market Surges

1985 saw a blossoming of the accessories market which should continue strongly into 1986. After record-breaking boat sales in 1984, the American consumer began to look more closely at the accessories market to improve the boats they purchased. Sales of marine electronics, hardware, maintenance—products even marinewear, saw large gains in 1985. The psychology has been that consumers who wanted a boat, already purchased one in the last three years and have even traded up to better models. But now, for the most part, they are content and looking to upgrade interiors.



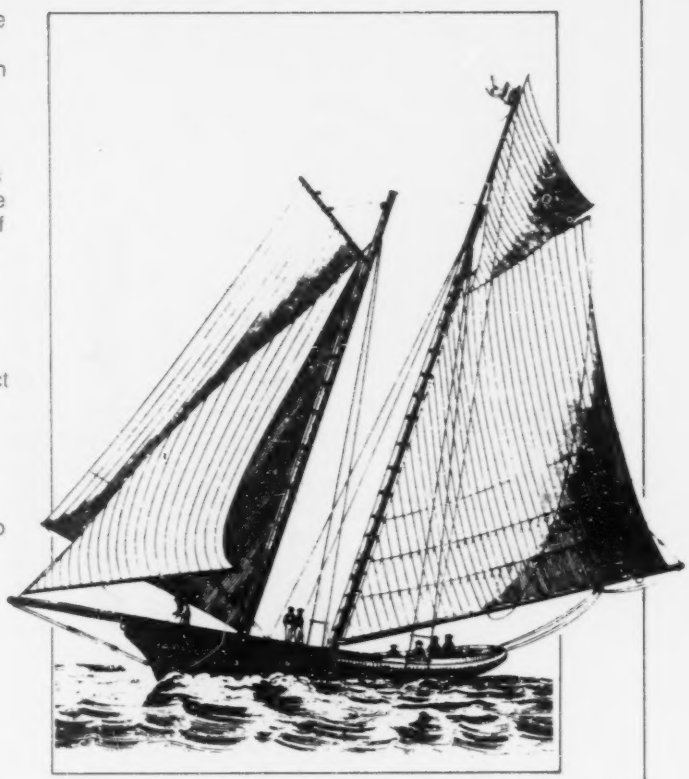
Source: NMMA

Sailboat Market Decline Continues

The sailboat industry failed to stem the market decline that has continued to plague this segment of the industry for the last four years. Since its banner year in 1981 when 73,000 non-powered sailboats and 4,100 auxiliary powered units were sold, sales have plummeted to their present five year low.

Sailboat imports, on the other hand, are doing well. It is estimated that sailboat imports have doubled over the last five years, and now make up approximately 25% of the sailboats on the market. The strength of the U.S. dollar has made imported sailboats attractive from a value standpoint, but in addition, sailors are buying them because of their striking designs.

Despite the inroads made by imported units, and the current glut of used sailboats, industry mavens expect the market to rally modestly in 1986. The projected improvement is seen as a direct result of the industry programs that will be in place to help revitalize the ailing industry. Areas targeted for special attention include consumer education, dealer sales training, a re-positioning of sailing's image, and adding pizazz to American sailboat designs for greater buyer appeal.



	1983	1984	1985
NON-POWERED SAILBOATS, ALL SIZES*			
Total units sold	40,000	36,600	34,000
Retail value	$115,040,000	$118,108,000	$115,430,000
Average retail unit cost	$2,876	$3,227	$3,395
AUXILIARY-POWERED SAILBOATS, 30 FT AND UNDER			
Total units sold	1,290	1,100	1,100
Retail value	$35,900,700	$33,827,000	$37,335,000
Average retail unit cost	$27,830	$30,752	$33,941
AUXILIARY-POWERED SAILBOATS, 30 FT AND OVER			
Total units sold	2,450	3,050	2,700
Retail value	$211,765,700	$241,377,000	$217,620,000
Average retail unit cost	$86,435	$79,140	$80,600

*DOES NOT INCLUDE SAILBOARDS

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BOATING INDUSTRY

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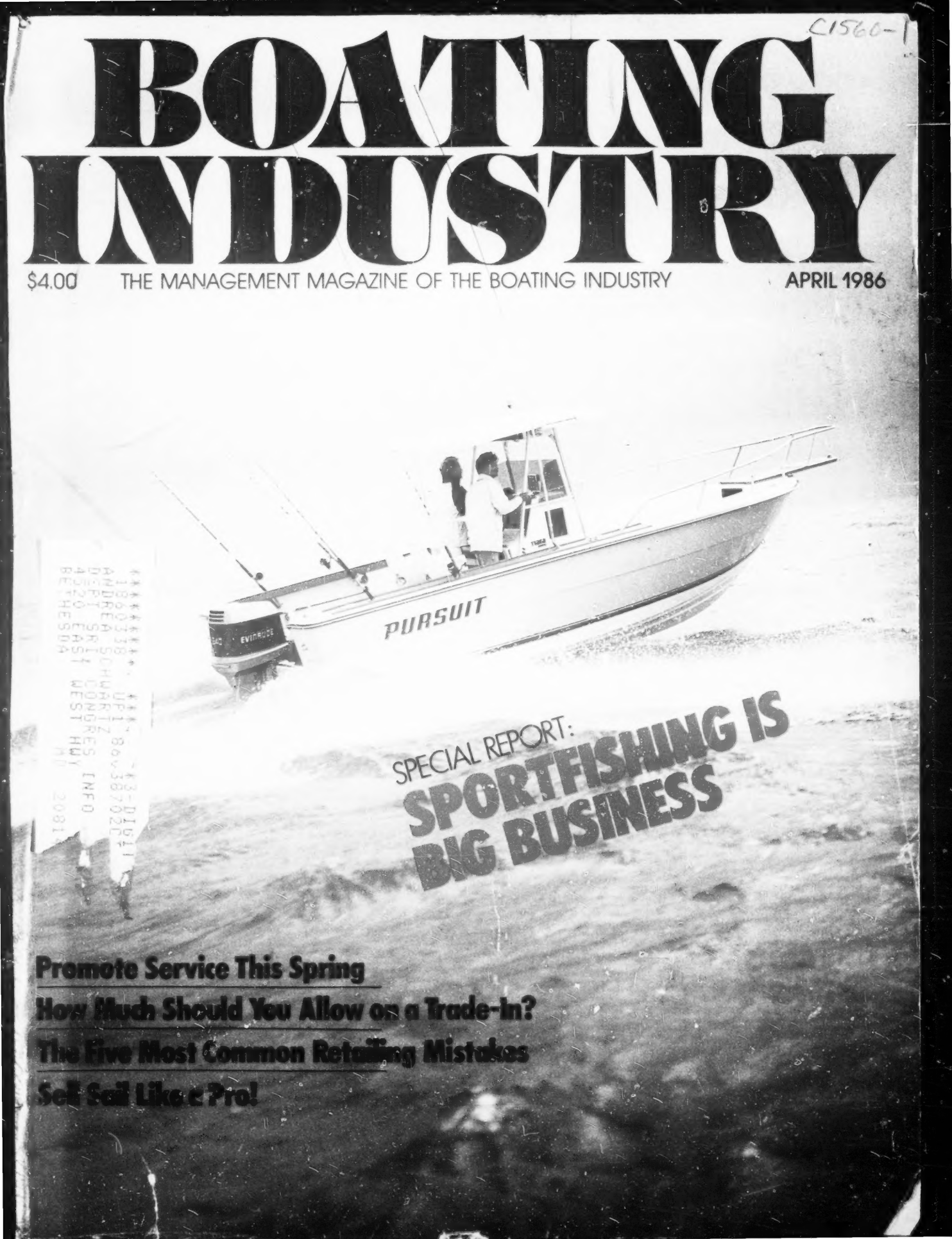

SPECIAL REPORT:

SPORTFISHING IS BIG BUSINESS

Promote Service This Spring

How Much Should You Allow on a Trade-In?

The Five Most Common Retailing Mistakes

Sell Sail Like a Pro!

BOATING INDUSTRY

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As the market for fishing machines continues to boom, the number of builders competing for the sportfisherman's dollars continues to grow. Product offered today ranges from the simple and practical, to the near-decadent. PHOTO COURTESY EVINRUDE

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Buoyed by the good economy, a broadening market base, and product innovation, sportfishing boat sales continue to climb.

40 **Faster, Plushier Fishing Machines Gain Popularity**

Buying trends in sportfishing boats lean toward going faster and farther. And, there is a burgeoning market for plushier quarters.

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Baert Marine's commitment to sportfishing tournaments as a family activity has made a strong impact on its annual sales.

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A strong service image can draw potential customers from a wide radius, and increase store traffic and accessory sales.

52 **Five Most Common Retailing Mistakes**

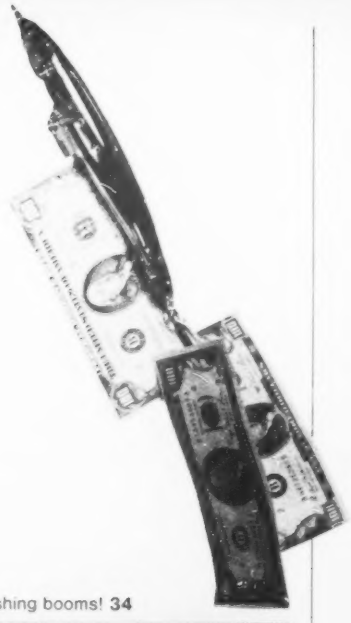
If you're like most marine managers, the daily rush makes it easy to overlook the details that can rack up greater profits.

54 **Sharpen Up Your Sail Selling Skills**

Now is the time for sail dealers to evaluate the worth of its sales team, analyze its strengths and weaknesses, and take action!

58 **How Much Should You Allow on a Trade-In?**

To many dealer-owners, the business of trade-ins is one of those gray areas that is hard to explain. This often accounts for reduced expertise at the salesman's level.



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Sportfishing:

CATCHING THE BIG BUCKS

BY CARL WEINSCHENK

Sportfishing boats are the stuff of which dreams are made. The picture of a speeding craft topped by a tower, rods bending in the wind and wake spreading for what seems like miles from the stern is one of the purest images produced by the huge pleasure marine industry in this country. And that dream, because of a mature industry segment with niches for rich to (relatively) poor, is available to more people than ever before.

Though it garners much of the publicity, sportfishing is a relatively limited market. Its members are diehard fishermen and women; often, they are seasoned boat owners who have traded *down* in size to get what they feel is their optimal fishing machine. These people know what they want, are not fooled by slick advertising and have the money to get what they want. It is a dream more and more people are subscribing to.

There are several general market conditions that are helping to expand the sportfishing market in particular, and the industry in general. They include low interest rates, the overall health of the economy and the easy availability of fuel. Reasons specific to sportfishing include, according to Eddie Smith, president of Grady White Boats, the advent of better, more safely designed hulls, more reliable, sophisticated engines and better, affordable electronics. The end result of these improvements is the ability of mid-sized and small boats to go farther out to sea. "Ten years ago," said Smith, "if you went ten miles off the North Carolina Coast, you'd see nothing but 50 foot yachts. Now, you'll see a flotilla of smaller boats."

The sportfishing boat market has several things in common with the bass boat segment. Both are expanding geographically through the promotion of tournaments. Sportfishing, in addition, is benefiting from the re-emergence of the Great Lakes as viable fishing grounds. Both have seen the entry of many companies into competition for the recreational dollar. Both have enjoyed optimum conditions for several years. Though this is obviously good, care must be taken not to make the assumption that times will not change.

Pleasure boating, which is a cyclical business, has been enjoying halcyon days since the advent of the Reagan administration. The future is never certain; the conditions that triggered the great gains elaborated upon in this article may well continue. Caution may be the key, however, because economic forces are fickle and change quickly, especially when an administration is nearing its final days.

Graham Flanagan, the president of Sea Ox (Greenville, North Carolina) a division of North American Fiberglass, indicated wholesale value of company sales rose 28% in 1985. Unit sales were 14% ahead. The increases are not expected to stop. "We think 1986 will be a barnburner," said Flanagan. He estimates unit sales may rise as much as 15% for the company, which will produce about 575 boats in 1986. Fourteen new dealers have been added since November, bringing the total to about 60. Flanagan believes in assigning "a pretty good size territory" to each. "To stack dealers hurts in the long run," he said.

Those dealers will be selling two similar new boats in 1986. The 23 and 200 Cuddy have 6½-foot-long insulated fish boxes, a heavy duty bow pulpit and increased cabin size.

Bill Erickson, the senior vice president of marketing at Wellcraft (Sarasota, Florida) indicated that net sales dollars were up approximately 30% in 1985. He feels the rise is attributable in part to the increase in fishable areas such as Lake Erie, which was lost to fishermen due to pollution for many years. All the coastal regions were strong for the company, he said, with New

Conditions continue to favor one of the most visible of industry markets. Early results from boat shows have manufacturers thinking of a fourth consecutive year of growth.

England weighing in with the best showing. A gathering of strength was also seen in the midwest.

Erickson said that the most popular boats for 1985 were the 2800 Coastal, the 230 Center Console and the 20 foot dual console. New in 1986 is the 34 foot Scarab Super Sport.

The dealer network, which is now at about 150, is reporting sales ahead of last year for the first two months of 1986. Though Erickson said it was too early to comment, he notes that original forecasts for this year were "very, very optimistic."

Topaz, (Owings, Maryland), is another company that boasted of an increase in 1985. According to Don Molter, the director of marketing and sales, the company's five models scored a "sizeable increase" last year. He indicated that the gains have carried over to 1986. The first quarter of the new sales year, in fact, beat the same period last year by an even 50%. Molter feels people are much more willing to invest for value. "Quality is now selling," he said. This is good for Topaz, a company that sees itself as heading toward the upper end. Molter said Topaz is becoming much more aggressive, an attempt that has resulted in a back-order position between October, 1985 and last month. The company has a dealer market of 15, which is strongest in Florida and the northern mid-Atlantic states. Molter indicated three dealership spots—two in the Great Lakes region and one on the west coast—are open.

"I think Topaz will have a very good year. We're not anticipating any problem through this model year at all. We don't see any softness in our market."

Wahoo! (Ashland, Virginia) has been making sportfishing boats since 1983. This, of course, means that the increase of between 300 and 400% in sales and the addition of more than 40 dealers should be seen in perspective. Even with those qualifications, however, the numbers are impressive. The company is back-ordered for eight weeks and, during the last year, has been as many as 17 weeks behind.

"We've kind of got a niche, and have really taken advantage of it," said Ray Curry, the president and owner. Curry, who is an industry veteran, credits his long retail experience as the key to the boat's functional and popular design. The two new boats for 1986 are the 14.3 (with a 5 foot 10 inch beam) and the 21.2 (with an 8 foot beam). He markets to second and third-time boat buyers, people who in some cases are coming

PHOTO: SEA OX

Sea Ox (model 230C, above) and Wahoo! (18.5 Offshore, below) are both experiencing good years. In 1985, Sea Ox sales rose 28%. The market has been so good that Wahoo! is considering entering the Japanese market.

PHOTO: WAHOO!

PHOTO: WELLCRAFT

Wellcraft's 2800 Coastal was one of the company's biggest winners in 1985. Senior vice president Bill Erickson is encouraged by 1986 show results.

down from bigger boats. He feels the market is still operating on the pent-up demand of the late 1970's. The extent to which good fortune is impacting Wahoo! is evident in plans for a new factory in California, which Curry said will put the company in position for an expected entrance into the Japanese market and increased activity on the west coast.

Murray Chris-Craft (Bradenton, Florida) has many of its approximately 175 dealers east of the Mississippi River. It is safe to say most of these carry some of the company's 17 or 18 sportfishing boats. The model counts for about 25% of the company's business. Tim Clarke, the vice president of advertising and public relations, indicated that demand for sportfishing boats is strong, but does not outstrip demand for other types of boats. He indicated trends are toward bigger craft (as evidenced by the introduction of a 58-footer), boats with higher performance and craft designed for multiple uses. The 42 Sport Fish is a redone craft featuring a new deck, a more powerful engine and a reduced price. Chris Craft will also introduce a new 25-foot center console craft during the summer.

Bertram (Miami, Florida) marked an increase of 40% between 1984 and 1985. Jill Shave, the manager of market services and sales promotion, indicated that 1986 expectations were "absolutely outstanding. At the New York and Miami shows we broke all records by over 50%. We sold 54 units retail at the Miami Show."

Some of the interest in Bertram product was generated by the redesigned 33' and 46' convertible. The company also premiered its 37' craft.

In addition to making significant dollar profits last year, Bertram was able to increase market share, even in a crowded field, and expects to be able to do so again in 1986.

When other sportfishing boat manufacturers talk about quality, phrases such as "like Grady White" or "our company and Eddie Smith's" are common.

Smith, who is the company president and one of the industry's leading spokespeople, said that Grady-White's dollar volume sales were up between 10 and 15% in 1985. He indicated unit sales were equal to record 1984 figures. The two facts taken together indicate sales of larger craft rose. The consistency between the two years in volume sales was attained by design, Smith said. He added that the potential exists for 45% growth in 1986, but a desire not to overextend will keep gains more modest. "We're growing as fast as we want to," he said. "We could make millions of dollars if we added another shift." Grady White is controlling its growth, and with it its hard-won reputation. They will continue, according to Smith, to do what has gotten them to the top. They will build—and sell—20% more boats in 1986 than last year. An indication of the good times prevailing in Greenville, North Carolina, is the company's back-order position.

The dealer network of about 100 is strongest on the East and Gulf Coasts with a newfound strength in the Great Lakes and, to a lesser degree, on the west coast.

Angler (Miami), is expecting a "marvelous" year, according to company president Roger Smith. His assessment is based on boat show results. Smith indicated that 1985 sales beat the previous year's by 41%. The hikes are being led by new 20 and 24-foot models. Both feature plentiful inside storage areas and new center consoles.

The company finds its greatest strength in the eastern half of the country, said Smith. He indicated that Angler, which builds 17 to 27-foot craft, is saltwater-oriented.

Jack Albertson, the vice president of sales and marketing for Aquasport (Hialeah, Florida) said that the company is expecting a sizeable increase over 1985. "We are prepared for a good year," said Albertson. Among the reasons for the expected growth are low fuel prices, easy fuel availability, low interest rates and the lower returns on various investment funds such as money markets. In addition, he credits an increase in advertising and proliferation of tournaments with bringing new people into the sport. These factors combined with the comeback of the Great Lakes has put Aquasport in a good position.

The company is offering three new hulls: the 371, 25 and 22 Osprey center consoles. They offer an "old New England-style sheer line," said Albertson. The company's 92 dealers are also offered convenient prerigging and a line of boats covering all types of sportfishing instead of

centering on a limited scope.

Neale Attenborough, the new director of marketing for Boston Whaler (Rockland, Massachusetts) saw about a 20% sales rise in 1985. He indicated that the company, whose approximate 30 sportfish models comprise half its line, has had the 20% increase as an average of each of the last three years. The introduction of a 27-foot, wide beam model on the bigger end and renovations to the smaller members of the line has added to base business.

The 27-footer, which saw its first full year on the market in 1985, has a 10-foot beam, a cuddy cabin, 115 square feet of cockpit space, center console configuration and various option possibilities that comprise what, according to Attenborough, is an "all out fishing boat." He indicated that Boston Whaler's business is primarily on the coasts.

Pat Brown, the advertising director of Dusky (Dania, Florida), said 1985 business was approximately equal to 1984, which was very good. The new year, she said, "is going to be a whopper." Brown indicated that, if January trends keep up, 1986 could produce a 20% jump. The new boat for Dusky, introduced at the Miami show, was a 20-foot walkaround. The big mover, however, was the 25 footer, which comes with a tower and twin 225 horsepower loop charged Evinrudes on Dusky Drive brackets. "People are going to small boats because they have smaller cars," said Brown. "But they still want a cabin." The company, which manufactures 150 boats a year and has its main strength in Florida, sold nine in Miami (seven 25 footers, one 23 footer and one 20 footer).

Mako (Miami) was up about 10% over 1984. Three new boats were introduced: The Mako 231 (with an 8 foot beam and center console), the 261 (8½ foot beam and center console) and the 248 (8½ foot beam, walkaround). The most interesting feature of the center console models is that they have C-PACs, or portable consoles that can be carried away like a briefcase.

Mako has about 80 dealers primarily centered in Florida. The company is also strong on the rest of the east coast. Bruce Huppert, until recently the vice president of sales and marketing, said that eight to ten boats a day can be produced.

The company manufactures fishing boats from 17 to 28 feet. They cover the eastern half of the nation with 27 tournaments, in locales as varied as Massachusetts to Key West and Texas to Michigan.

Hatteras, of High Point, North Carolina, followed the example of the rest of the industry and had a good year. According to Bryant Phillips, the company's manager of marketing services, Hatteras has experienced an upturn every year since 1982. The company is different in that they do not use a model year per se, instead opting to add, remove or adapt models as the need arises. During the next calendar year, however, big profits are expected from the new Hatteras 65 Convertible and the new 41 Convertible (premiered at the New York Boat Show where four were sold). The new models feature a "contemporizing" of both the interior and exterior and a "rakish" new look.

Phillips indicated that the company is expecting continued success. In addition to the new models, the 45, 52 and 60 Convertibles are continuing to move well.

Tom Calhoun, the director of sales and marketing for Luhrs (Marlboro, New Jersey) is encouraged by the response that greeted the builder's reentry into the market. The original company was founded by Henry Luhrs during the 1930s. He sold it in the latter 60s to Bangor Punta, where it languished and eventually stopped production. Meanwhile, sons Warren and John acquired Silverton in the late 70s. Early in the 80s, Silverton reacquired some of Luhrs' assets (mostly the name and trademarks).

Until one year ago, according to Calhoun, the new Luhrs was a one boat line. The 340 was joined by the 342 at the Miami show in 1985, by the 290 late last summer and by the 400 at this year's Miami get together. Production on the latter will begin in May.

It is hard to use the traditional yard sticks in judging a company that is just starting out. Calhoun says the dealer network of between 20 and 25 is strongest in New Jersey. A flybridge-topped version of the 290 and 37-foot convertible are on the drawing board. □

ECONOMIC ACTIVITY ASSOCIATED WITH SALTWATER SPORTFISHING IN 1985

	Retail Sales	
Purchase	1980 Dollars	1985 Dollars
Fishing Tackle	184.8	241.3
Boats	284.1	371.0
Motors	55.4	72.3
Trailers	18.1	23.6
Marinas	470.4	614.3
Charter/Headboat	149.4	195.1
Food	548.9	716.8
Restaurants	192.8	251.8
Lodging	184.7	241.2
Pub. Transportation	70.8	92.5
Priv. Transportation	539.8	704.9
Bait	290.1	378.8
Boat Fuel	760.2	992.7
Boat Insurance	54.5	71.2
Other	172.2	224.9
Total	3976.2	5192.5

These economic measures relate to the activity that takes place in the national economy as a consequence of saltwater fishing in the states. Retail sales represent the amounts paid by the end user for goods and services in various sectors. Sales estimates are shown in both 1980 and 1985 dollars, based on the consumer price index.
SOURCE: SPORT FISHING INSTITUTE, Washington, DC

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BOATING INDUSTRY

THE MAGAZINE OF THE BOATING INDUSTRY

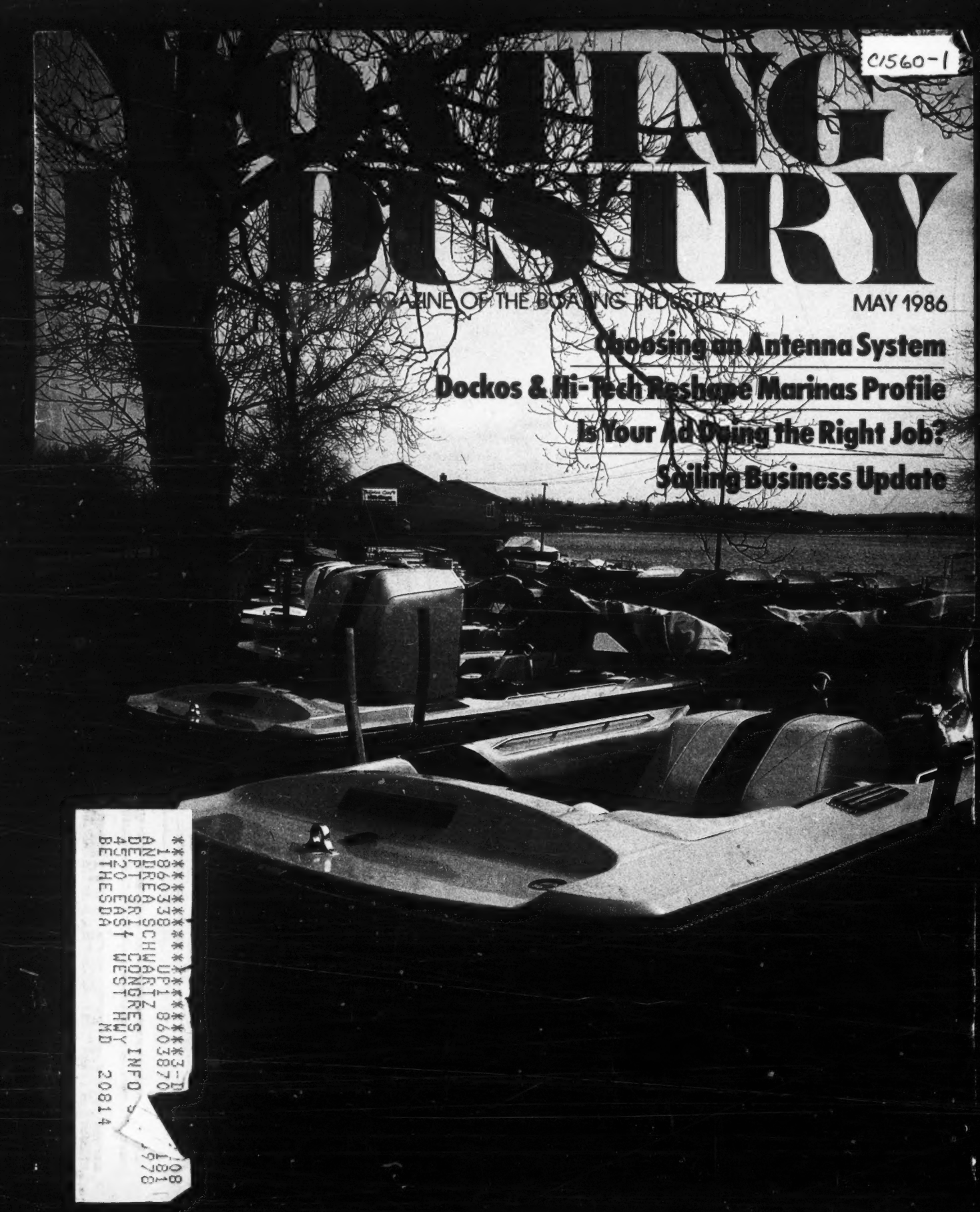
MAY 1986

Choosing an Antenna System

Dockos & Hi-Tech Reshape Marinas Profile

Is Your Ad Doing the Right Job?

Sailing Business Update



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SKI WAYS TO PROFIT

BOATING INDUSTRY

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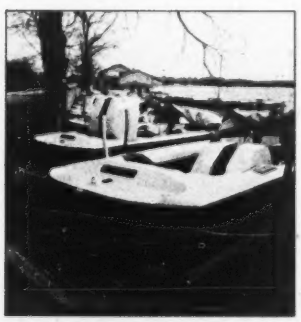

Cover

Silver Spray Sports in Fenton, Michigan has become one of Correct Craft's most profitable ski boat dealerships in a scant four years. PHOTO BOUNDAS

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Banter about sailing's progress seems to focus on the actual vitality of the much-heralded comeback of this market segment.

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Marinas and boatyards are increasingly succumbing to real estate proposals which far exceed the value of their businesses.

46 Marinas Automate forEfficient Management

Computerizing marina operations for tighter control is allowing marinas to reduce staff, increase sales, and get paid faster.

50 What Antenna System Gives the Best Reception?

The right type of antenna must be matched to the customer's reception equipment. Trying to mix odd pairs won't work.

54 Water Ski Industry Broadens its Markets

While sales of high-tech and recreational water skis has been significant, the beginner has largely been ignored by producers.

58 Riding the Crest of Ski Boat Success

Jeff and Patti Smith have combined a love of waterskiing with marine professionalism to make Silver Spray Sports successful.

62 Don't Use Advertising as a Selling Tool

Effective ads get prospective customers to walk through the doors of a marine dealership—it's up to the sales staff to do the selling!

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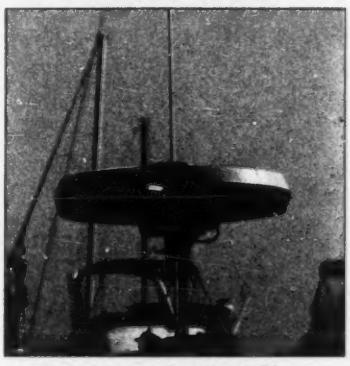


matching up the right antenna **50**

Water Ski Industry Broadens its Markets

New broad-based industry efforts are geared to attract newcomers to the sport. Meanwhile, water ski manufacturers continue to expect a rise in demand for both recreational and high-performance water skis.

Photo: Connelly Skis

BY JOHN DE GASPARI

Industry experts have described the water ski industry as being something of an iceberg. While sales of both top-of-the-line "high tech" skis and recreational skis are significant—and growing—an enormous market segment, the beginner, has largely been ignored.

Now several projects are underway within the industry to tap the large beginner market, and attract new people to the sport. Two efforts are being targeted to younger people. One is the 1986 Water Ski Summer Games, co-sponsored by the Amateur Athletic Union (AAU), the American Water Ski Association (AWSA), and the Water Ski Industry Association (WSIA). The other is a joint effort of the WSIA and the Boy Scouts of America to develop a water ski program for scouts.

The Water Ski Summer Games is a unique pilot program to instruct first-time skiers. Slated to begin this summer, the program consists of a series of 12 water ski clinics to be held in four locations across the US: Houston, TX; Elkhart, IN; Cypress Gardens, FL; and San Diego, CA.

The purpose of the clinics and tournaments will be to teach participants how to water ski, and to progressively bring them to a point where they can compete on a very grass roots, elementary level, according to Jim Hotchkiss, executive director of WSIA, based in North Palm Beach, FL. "The WSIA, this year more than any other year, is spending most of its efforts on youth participation in the sport."

The uniqueness of the program as a broad-based effort was emphasized by Duke Cullimore, public relations director of the AWSA, Winter Haven, FL. "It's never been done in the U.S. before. Clinics have been held by some manufacturers in the past. But this is an effort on the part of the sport's governing body,

which is the AWSA, the industry, which is the WSIA, and the AAU, which has a long history in the development of amateur sports."

Both Hotchkiss and Cullimore are optimistic about the pilot program, which will be evaluated upon its completion. Pending the results of the pilot, plans are to expand it to 24 cities across the U.S. in 1987.

While sales of high-performance skis have not grown as fast as those of recreational skis, they continue to grow because of design improvements. Skiers want to keep current on new designs.

The other major involvement is between the WSIA and the Boy Scouts of America. According to Hotchkiss, for several years the WSIA has been assisting about 100 Boy Scout Councils nationwide with water ski programs. Often this support has been in the form of donated and loaned equipment.

"This year, we are stepping up our support dramatically, as we will do in succeeding years," he says. The program will begin with a two-day water ski clinic to be held this month at Camp Strake in Houston, TX, which Hotchkiss considers to have a model instruction program.

"It's not very different from what we are doing with the AAU," claims Hotchkiss. "But it's specifically designed for the Boy Scout program." Water Ski Program directors and instructors from 16 Councils in the southwest region will be invited to Camp Strake during the clinic to learn methods of teaching beginners how to water ski and enjoy the experience. The WSIA will also produce a 15-minute video of the Camp Strake program, and will distribute cassettes to other Councils with water ski programs.

Like the Water Ski Summer Games, this is a broad-based effort. The Boy Scouts of America has over 4 million participants.

Hotchkiss sees a real need for these types of programs in the industry. One annual survey conducted by the WSIA shows an 11% growth in water ski sales in 1985 over the previous year. "The growth is not all that dramatic, and it doesn't make manufacturers as happy as they would like to be," he says. "They know that there is a potentially enormous market out there."

He feels that the sales of low-cost skis do not occupy as large a part of the market as they really should. "The sales are significant, but really, the dramatic, large part of sales should be in those beginning combination pairs, and that's not the case right now." With the strengthening of the lower end of the market, the higher end should benefit shortly thereafter, he maintains.

Another indicator of the popularity of the sport is the number of water ski clinics and tournaments held. There are currently about 350 sanctioned water ski tournaments held annually in the U.S. Many of these are produced by the more than 450 water ski clubs across the country. The number of water ski clubs and tournaments has been rising over the last 15 years.

"The number of clubs has increased over the last seven or eight years by about 100," claims Cullimore. While the growth of clubs and tournaments has not been rapid, it is nonetheless expanding with the public's awareness of water skiing as a competitive activity, and new clubs are formed yearly.

A major segment of participants in the sport continues to be the recreational skier. "Water skiing, by its very nature, has always been a family activity. It continues to grow as a family activity," says Cullimore. Figures from different sources on the number of recreational skiers in the U.S. vary from about 12.2 million to 17 million.

One manufacturer of high-performance and high-end recreational skis is Connelly Skis, Lynnwood, WA. According to advertising director Scott Logan, sales last year were up 20% over the year before. Expected growth of sales this year is 10% to 12%.

The fastest growing segments of Connelly's product line are fiberglass recreational combos, which retail from $165, and recreational slaloms, some models of which are priced under $200. One reason for the strength of the recreational market is the willingness of the consumer to pay for a quality recreational ski, says Logan.

Logan agrees with Cullimore that water ski clubs—both recreationally and competitively oriented—play an important role in bringing new people to the sport. Water ski clubs have also helped manufacturers in the sense that they have influence in their local markets, he claims.

Connelly's reputation as a high-performance ski manufacturer has attracted beginning skiers to its line. "We get our share of beginners mainly because of the reputation we have with high-performance skis. Somebody in a boat will see people with Connelly skis and wonder if we make anything for beginners. We have found that we haven't had to aggressively market toward the beginner, because we have had so much of that trickle-down effect." Logan also claims that stores have been supportive in steering beginners to Connelly skis.

Connelly remains a high-end oriented manufacturer, with 50% of its sales in single slalom water skis that retail at $295 and up. "Our image was built on high-tech, high-perfor-

mance products," says Logan. Of its high-performance line, Connelly markets models with graphite added and with Kevlar added. Kevlar skis retail from about $270 and the most expensive graphite skis start at about $400. Of high-performance sales, says Logan, 18% are skis that retail from $400 and up, 20% are in the $380 model, and 20% are in a model that sells for $360. The balance is in the $275 model.

Unlike the case for recreational skis, high-performance skiers will tend to go to a pro shop to buy their skis because of the expert advice available from sales staffs there.

"The high-performance segment is not growing as fast as the recreational fiberglass segment," says Logan. "But it is continuing to grow because technology and ski design are getting better every year—both ours and our competitors'. People who are in the market for $300 and $400 skis want to keep current on the newest designs. If you convince them that what you are carrying will improve their performance—ski better—they will buy it."

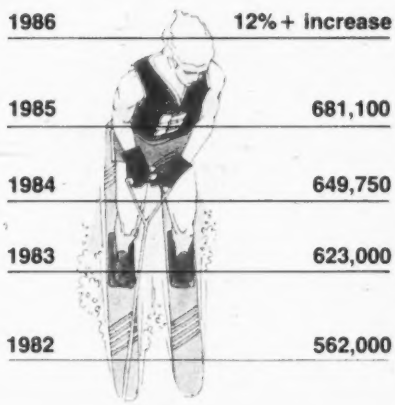
The tendency to "trade up" is a strong element in water ski purchases. Also, discounting plays an important role in water ski purchases. "I don't think that anyone has paid full price on a pair of water skis in a while," says Logan. "By the same token, the manufacturer has responded to that by offering bigger discounts, so that dealer profit margins have stayed up there."

One comment that Connelly has received from dealers is that so many different ski models are priced so closely together that it has made it difficult for consumers to make buying decisions. "All of our slaloms are made of completely different designs," claims Logan. "We try to educate both consumers and salespeople as to what those differences are. We also try to show them what type of skiing style each of our models is made for."

Connelly provides videos to dealers that explain the differences between models of skis. The manufacturer also provides dealers with technical manuals that explain how the products are designed.

Another manufacturer trying to appeal to the higher end of the recreation market is Wellington Puritan, Madison, GA. This year is the second season since it has reintroduced its Taperflex ski, which had been off the market for the previous four years. The company has been pleased with its efforts to get the consumer to recognize the Taperflex name, according to Zack McLanahan, Wellington-Puritan national sales manager.

UNIT SALES OF WATER SKIS



Water ski unit sales: 1985: 681,100; 1984: 649,750; 1983: 623,000; 1982: 562,106. Increases for 1986 may surpass industry estimates of 6% to 12%.

Part of its program is to re-introduce its ski as part of a family of related products, including ski jackets, ski tow ropes, gloves, etc. "We are also adding more dealers and more distributors, and coupling that with more retail and consumer-oriented ads," he says.

The Wellington Puritan ski line appeals to a broad range of recreational skiers, claims McLanahan. "We have two combo models: a beginner combo pair and a more advanced, deluxe combo pair. And we have three different levels of slaloms: beginner, intermediate, and expert. Generally, we appeal more to the high-end recreational skier, up to the beginning competitor," says McLanahan. He doesn't see the line as competition oriented as yet.

"We want to pick up the family of skiers who are out of the wood range, decided they like the sport, and are going to invest their money in good equipment." The product line ranges from a low of $170 suggested retail to a high of about $280.

Wellington Puritan is also involved in the manufacture of wood skis. "There's a tremendous amount of wood skis being sold out there, although the number of manufacturers in that market has dwindled somewhat," says McLanahan.

One reason for the decline of the wood ski market is that the prices of fiberglass skis have come down to where they are so competitive with wood, that consumers are opting for fiberglass skis. "There's no doubt that fiberglass is cutting into the market for wood skis. Basically, those buyers who are left are people going through mass merchandisers and catalog showrooms. It's been pretty much taken out of the dealer and the specialty dealer," he explains, although he adds that many dealers still carry wood skis.

One way that Wellington Puritan has been thinking of promoting its skis is through ski clinics. "We've looked into a lot of ski clinics," says McLanahan. One possibility is running, in conjunction with major dealers and distributors, a learn-to-ski weekend, with a trained professional staff giving free or low-priced ski lessons. The purpose of such a clinic would be two-fold: to promote the company's product, and to attract newcomers to the sport.

McLanahan agrees with others in the industry that ski clubs play an important role in promoting water skiing. "A person who stays with the sport, who works his way up, will become more involved with clubs in areas that have them."

But he adds that the biggest market is still the weekend boater who goes out with the family to ski. "We want to align ourselves pretty much with the family oriented skier."

All of which is not to slight the importance of the competition market, or to underestimate the tendency of consumers to trade up. "For every competitor, there are several hundred recreational folks who look forward to being a competitor one day," says McLanahan. From that point, Wellington Puritan may move into the competition market.

In all, industry spokesmen agree that the outlook for recreational and competition water skiing—especially with efforts to bring new participants into the sport—is bright. □

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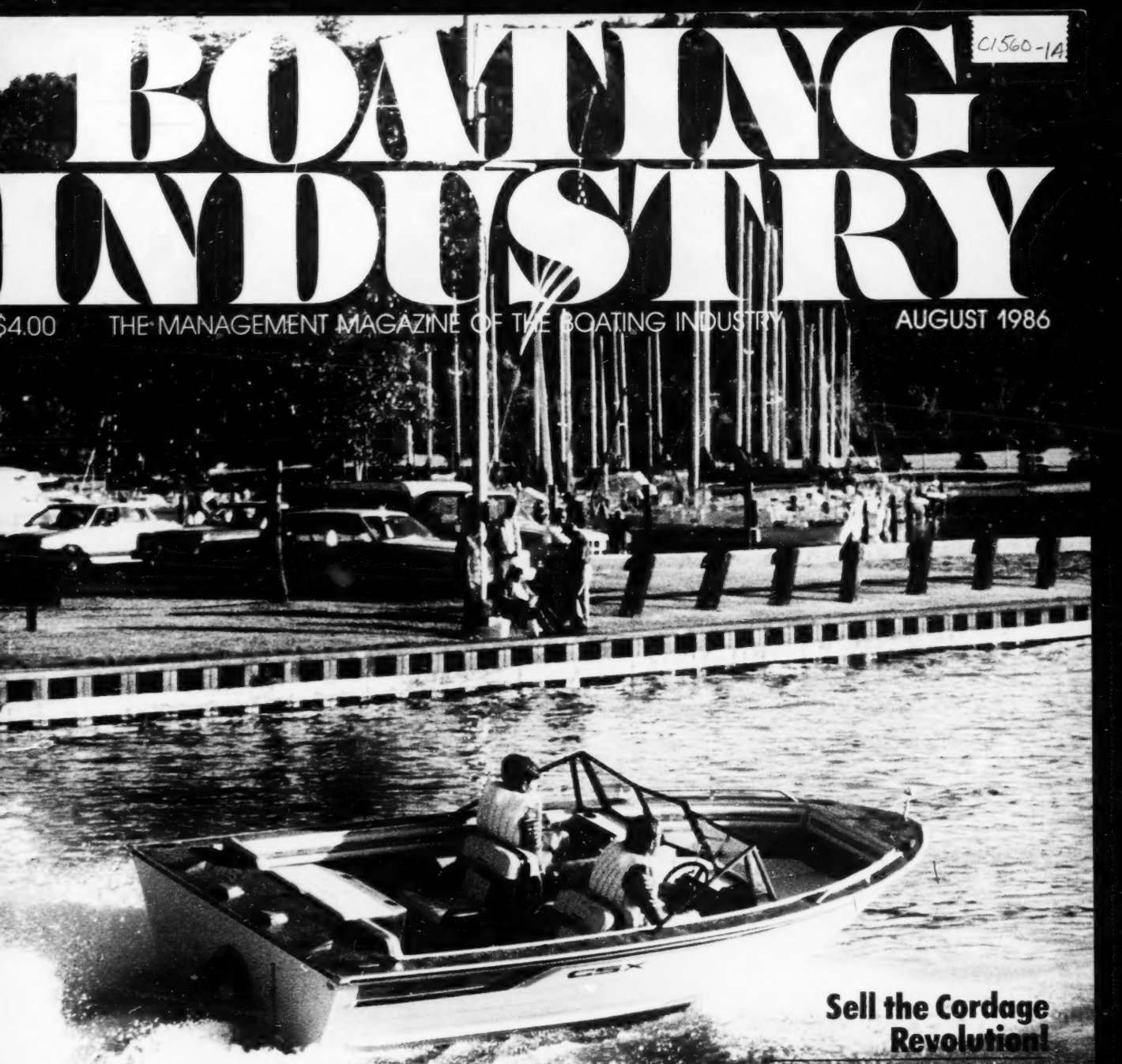

MARKET CLOSEUP:
NEW DESIGN TECHNOLOGY IN MARINE ALUMINUM

Sell the Cordage Revolution!

Planning a Successful Dealer Show

How to Compute Inventory Levels

Pre-IMTEC Travel/Fact Kit

Sneak Preview: '87 Boats, Engines & Trailers

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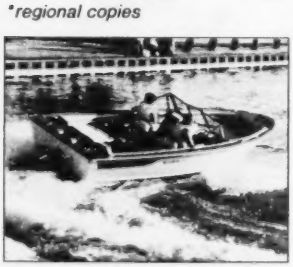

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It has been a year of product innovation for marine aluminum. Grumman's new series of inboard/outdrive runabouts is a prime example of why manufacturers have high sales expectations for '87.
PHOTO COURTESY GRUMMAN BOATS

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Sell the Cordage Revolution

The cordage revolution has been gradual, but just the same, the improvements and changes in the use of these products have been greater than in the previous three hundred years! Now is the time to remember that new products create customer interest and result in new business.

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How to Turn Your Boat Show Into a Boat Sale

Many of us have fallen into a rut with our boat shows and promotions, yet many dealers will write 25% to 40%...or more...of their year's business at shows. Turn a new leaf, and be prepared to really capitalize on what may be your dealership's greatest promotional expense.

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Marine Aluminum: New Design Technology

Aluminum boat manufacturers are reporting good sales at all points along the spectrum in '86, and are highly optimistic about the new model year. Innovative approaches in powering, hull design, and construction techniques for aluminum craft are being relied upon to fulfill the promise.

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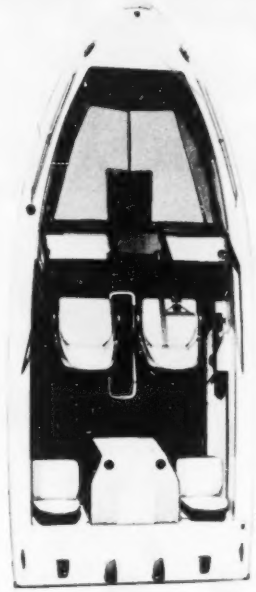
Mastering The Basics of Inventory Management

Understanding how inventory management can easily affect the net profit of a dealership anywhere from 25% to 50%, should motivate the marine manager to learn more about the three-way partnership of dealer-manufacturer-financial institution. Some key formulas help, too.



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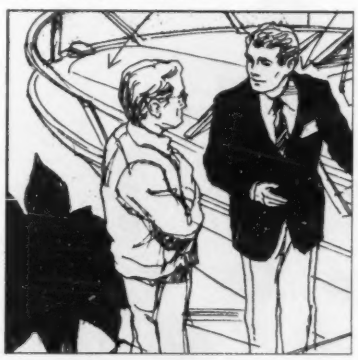

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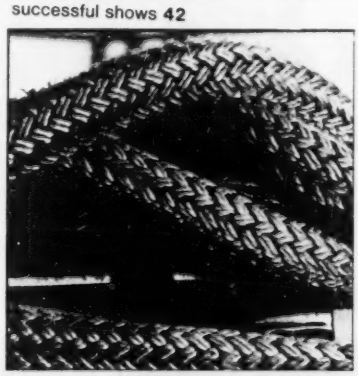

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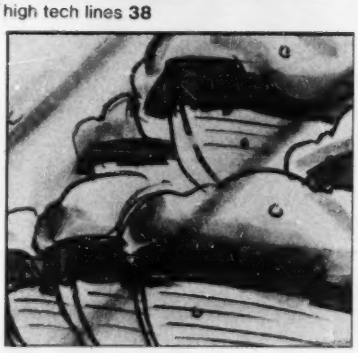


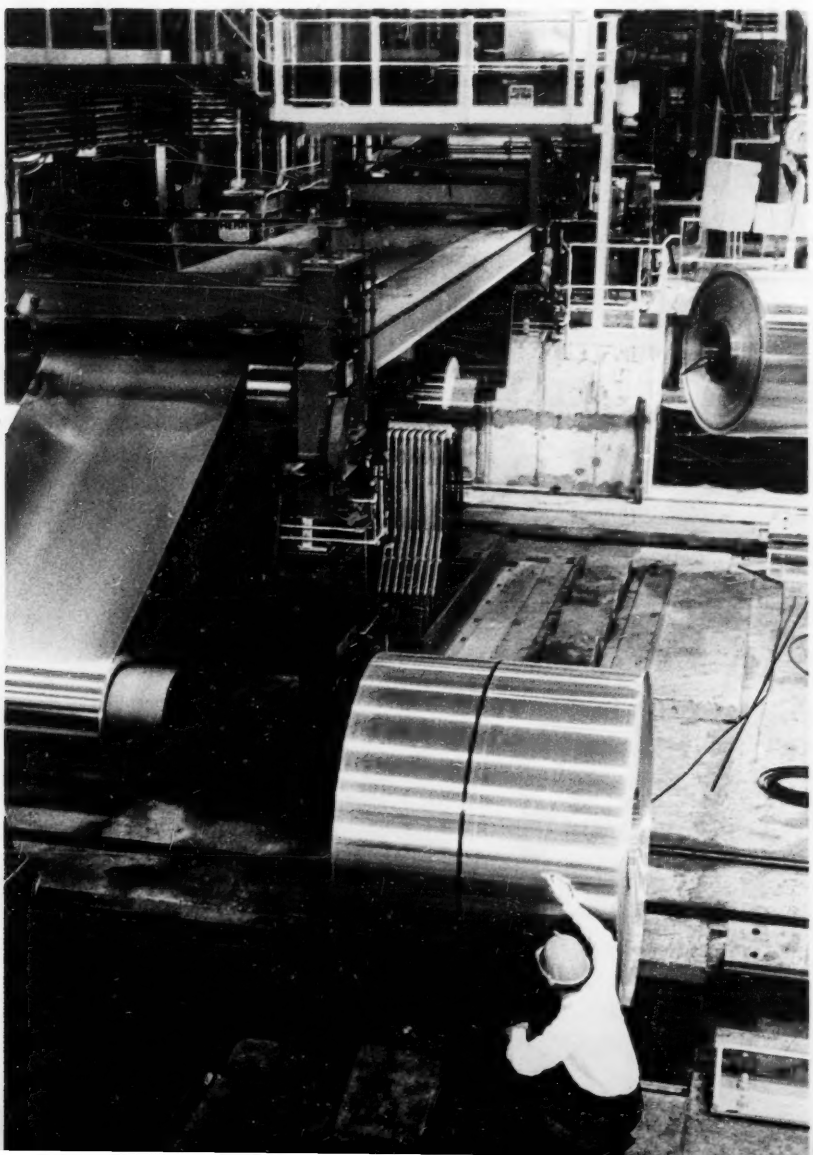
inventory management **71**

MARINE ALUMINUM

NEW DESIGN TECHNOLOGY

High Strength Aluminum Keeps Its Place In Market

Aluminum boats have come a long way in performance and design, but their strongest showing in the pleasure boat market remains outboard runabouts, rather than more deluxe models.



Aluminum coils being readied for shipment at mill. After decline, price of aluminum is again on rise.

BY JOHN DE GASPARI

Each of the contending boats vying for first place in the upcoming America's Cup race—except for one—will have an important feature in common: they will all be constructed of aluminum. Since the first aluminum hulls were introduced to the event in 1974, nearly every one has been made of the material.

Its light weight is unmatched, as is its versatility. As one naval architect has put it: if you don't like the way a boat is behaving, you have the option of sawing off the stern and welding on a new one.

The metal also enjoys a good reputation in the power boat area. Many of the big boats competing in the power boat racing circuits are made of aluminum.

Yet despite aluminum's role in more exotic applications, many consumers in the pleasure boat market still associate aluminum with the basic, "no frills" type of boat. Aluminum boats, which account for about 36% of the pleasure boat market, have reached a "high plateau," according to Bob Moyat, manager of marketing statistics for the Chicago-based National Marine

POPULAR MARINE ALUMINUM ALLOYS

Alloy number	Principal alloying element and its percentage	Principal boating use
5005	Magnesium (0.8%)	Cartoppers, jon boats, smaller utilities, and pontoons.
5052	Magnesium (2.5%)	Runabouts, houseboats, small cruisers, pontoons.
5086	Magnesium (4.0%)	Custom yachts, naval and commercial craft, larger stock cruisers, and houseboats.
6061	Magnesium (1%) and silicon (0.6%)	Stretch-formed hulls for canoes, runabouts, sailboats; also, extrusions for spars, window channels, framing, etc.
6063	Magnesium (0.7%) and silicon (0.4%)	Extrusions for boat trailers, boat docks, gunwales, and miscellaneous extruded parts.

Source: Recreational and Marine Aluminum Committee, The Aluminum Association.

Manufacturers Association.

The strongest area for aluminum boats is still the 16-ft outboard. In 1985, they claimed less than a 2% share of the biggest growth area for pleasure boats, I/Os. "A larger part of the (aluminum) market remains the basic no-frills boat buyer."

Bart Campbell, manager of general manufacturing market for Reynolds Aluminum, Richmond, VA, agrees. While some people are doing innovative things with the material in design work, which is enhancing its use a little, he says, it remains a fairly mature material in the pleasure boat market.

One advantage of aluminum is its sensitivity to the energy situation, he adds. "When the oil price goes up, it generally gets more attractive both from the standpoint of operation of aluminum boats, and also because its chief competitor, fiberglass, is more expensive."

With the price of oil as low as it has recently been, that may not be as great an asset now as it had been in the past. The price of aluminum, too, has been depressed, due to competition from foreign imports and worldwide overcapacity. Now, efforts of domestic producers to cut down on capacity to bring the supply and demand situation more in balance, coupled with a strong economy, have spurred demand somewhat. The price of aluminum, which has been down for some 18 months, is again on the rise.

"At current levels, it's a pretty good buy," says Campbell. The low price has certainly been to the benefit of boatbuilders, he adds, and "the price levels they're seeing now are still considerably lower than what they've seen in the past, and should not present a problem."

Fiberglass is basically a more expensive material than aluminum, although drawing price comparisons between the two can be difficult because each material has its own design criteria and requires its own production techniques.

Both aluminum and fiberglass have their fan clubs in the marketplace, says Campbell. "Some dealers will handle both lines because they recognize that. Fiberglass is generally the bigger ticket item. Aluminum is sometimes a better volume item because of its lower price."

Another advantage of aluminum as a boatbuilding material is its ease of fabrication. It's easy to weld, easy to rivet, says Campbell, and fewer people are required to handle it during production because of its light weight.

Campbell has seen some increase in welding of aluminum boats, although not to the extent that it has replaced riveting.

One characteristic of welding is smoother lines, says Campbell, and a lot of motivation for its use is derived from that angle. While the major share of the aluminum boat market remains outboard runabouts, some manufacturers are trying to target their aluminum boats to a more upscale market. Campbell agrees that some boatbuilders have become more innovative and style conscious in their designs.

One thing that tends to remain a problem to some very style-conscious boaters, says Campbell, is that "the aluminum hull is, by the very nature of the material, not as 'pizzazy' as the fiberglass hull is. You can do things with colors on fiberglass boats that you can't do with aluminum. And you can build certain boats out of fiberglass that you can't with aluminum, because of the lines of the boat—the curves and the sweep. It's fairly cost prohibitive to do all of that forming on aluminum—not that it couldn't be done—but it's not economical."

On the other hand, says Campbell, aluminum has done very well in applications where serviceability is important. "There's a place for both materials out there."

Because of aluminum's light weight, it is also useful for deck houses of pontoon boats. "On a houseboat, aluminum doesn't make the boat top-heavy. You don't get as much roll effect. The higher up it is, the more advantageous it is," says Campbell.

In addition to sheets, it is also valuable for extrusions. One of the most important places for aluminum extrusions is in the ribs of the hull, where it offers weight savings and corrosion resistance.

Marine aluminum is basically indestructible from the standpoint of wear and corrosion, says Campbell. "In fact, most aluminum boats are traded, one, to trade up to a different design—something with more bells and whistles on it; or two, maybe he just abused the boat. Other than that, it would be hard to put a life-expectancy tag on it. It's going to be there an awfully long time."

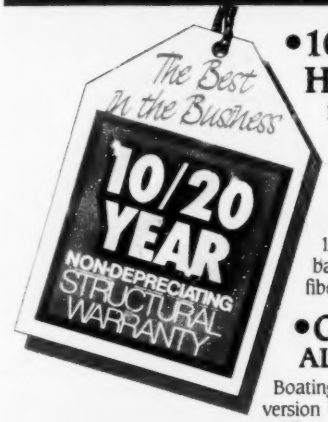
The term "Marine Aluminum" was coined by the Aluminum Association in the mid-1960s. It was used to describe a family of marine alloys in the 5000 and 6000 series.

Magnesium is the main alloy used in the 5000 series, providing strength, corrosion resistance, and

V170 Viking Deluxe

V225 Sabre GL with Hard Top

NORDIC CRESTLINER



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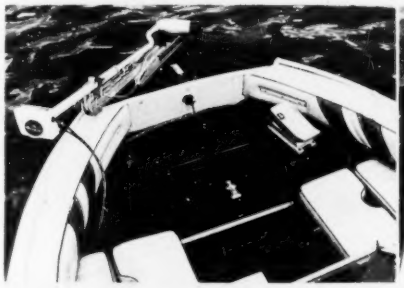

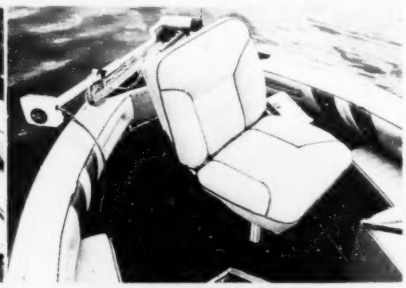

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		Total	Aluminum
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	I/O	115,000	2000
	pontoon	14,000	14,000
	canoe	79,000	25,000
'84	outboard	302,000	209,000
	I/O	107,000	2000
	pontoon	16,000	15,000
	canoe	103,000	35,000
'83	outboard	273,000	203,000
	I/O	79,000	1200
	pontoon	12,500	8300
	canoe	107,000	35,000
'82	outboard	236,000	180,000
	I/O	55,000	800
	pontoon	9975	7000
	canoe	101,000	33,000
'81	outboard	281,000	214,200
	I/O	51,000	900
	pontoon	10,600	7300
	canoe	126,000	49,000
'80	outboard	290,000	195,100
	I/O	56,000	800
	pontoon	8900	7100
	canoe	105,000	68,300

Source: National Marine Manufacturers Association.

good welding characteristics. The 6000 series alloys, which contain silicon and magnesium, have good formability, corrosion resistance, and can be heat treated to give very high strength. The 6000 series can be stretch-formed for hulls, and are used as extrusions.

This means better performance, durability, easy maintenance, and higher resale value, according to a report by the Aluminum Association in Washington, DC.

One reason is its light weight. Depending on the design of the boat, aluminum may weigh 20% less then fiberglass and 5% to 10% less then wood.

Aluminum's high tensile strength and stiffness make aluminum durable and give excellent hull integrity.

Aluminum is a naturally corrosion resistant material. Most painting of aluminum is done for appearance sake, says Campbell, and generally it is a maintenance-free boat.

Another advantage of aluminum, according to the Aluminum Association, is that it is heat conductive. Its high temperature conductivity lessens the heat of the sun on boat decks and hulls, which quickly cool to water temperature.

All of these advantages make for a good investment, according to the Aluminum Association. Aluminum boats hold their value, with less depreciation at trade-in or resale. □

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BOATING INDUSTRY

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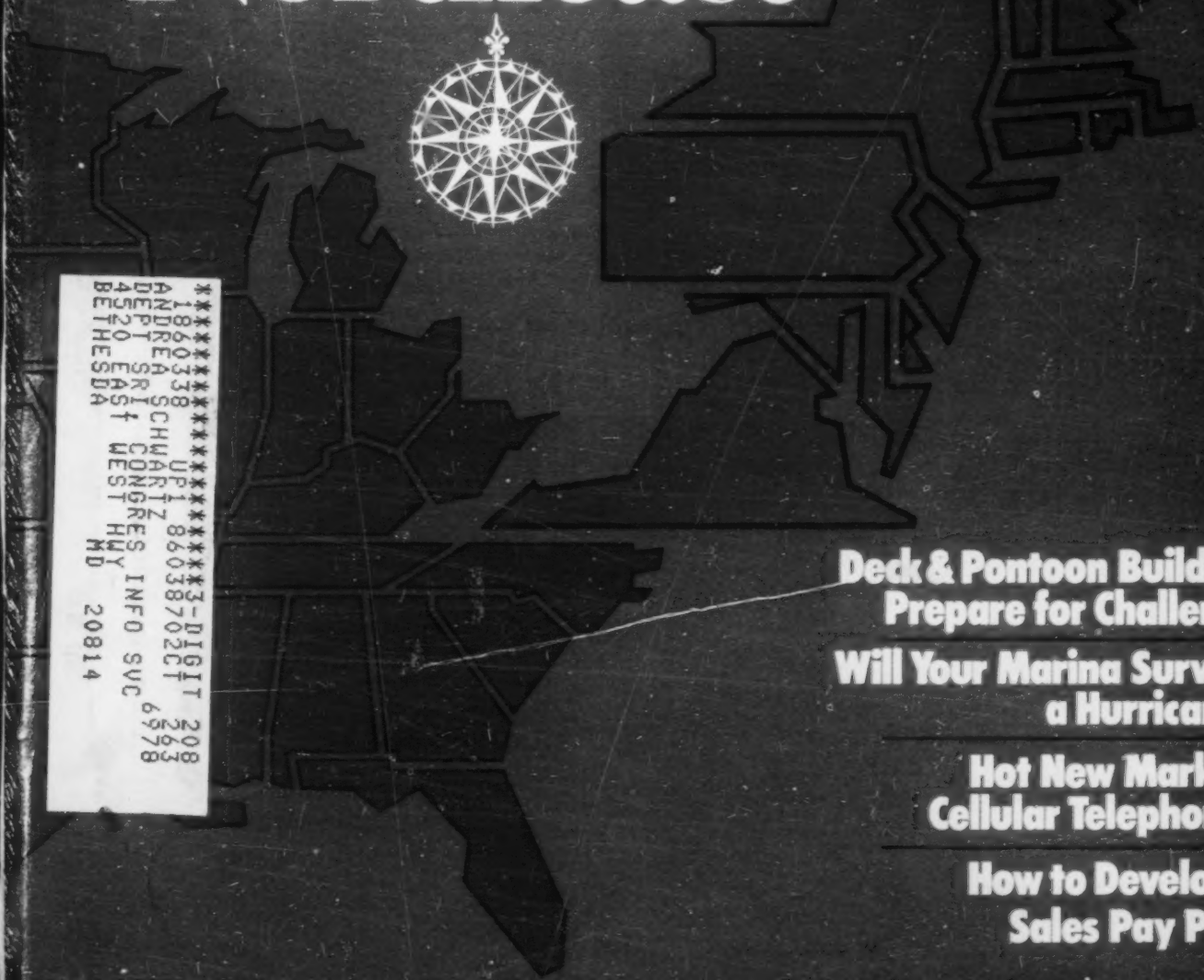
Dealers of the Northeast



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Deck & Pontoon Builders Prepare for Challenge

Will Your Marina Survive a Hurricane?

Hot New Market: Cellular Telephones

How to Develop a Sales Pay Plan

BOATING INDUSTRY

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Dealers of the Northeast kicks off BOATING INDUSTRY's comprehensive regional studies of the nation's marine dealers. In coming issues, the editors will focus on other areas of the U.S. COVER DESIGN: BOUNDAS

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Dealers of the Northeast

Marine dealers in the northeast have their own private collection of problems and pluses endemic to the region. In this comprehensive report, the editors profile the very unique aspects of running marine business in this geographic sector.

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Marinas & The Elements Part I

Very few marinas have a storm contingency plan in the event of a natural disaster. Yet, with timely planning, a well-designed marina can ride out the worst of a major hurricane without incurring major losses.

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Equal Pay for Equal Work? Not Always

Paying salespeople equally for generating the same amount of dollars sounds fair, but in practice the marine manager may be overcompensating one salesperson at the expense of another.

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New Product Pick: Cellular Telephones

Cellular telephones are beginning to gain popularity among boat owners, and present the marine dealer with a new opportunity to fatten up the revenue stream—but—you have to know how to go about it.

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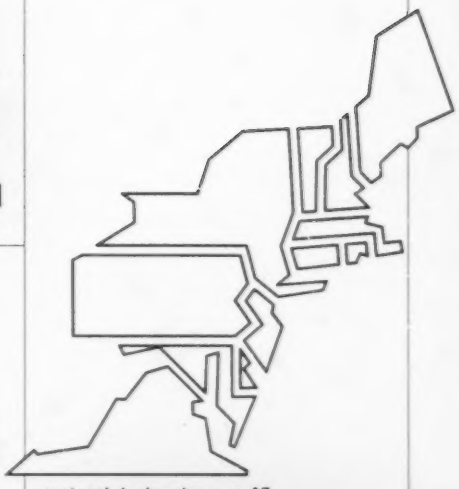
Pontoons & Decks

Deck and pontoon boats hold a very strong appeal for an important market segment: inland lakes and rivers. Manufacturers recognize that they will have to deal successfully with a heavy influx of competition to ensure continued growth.



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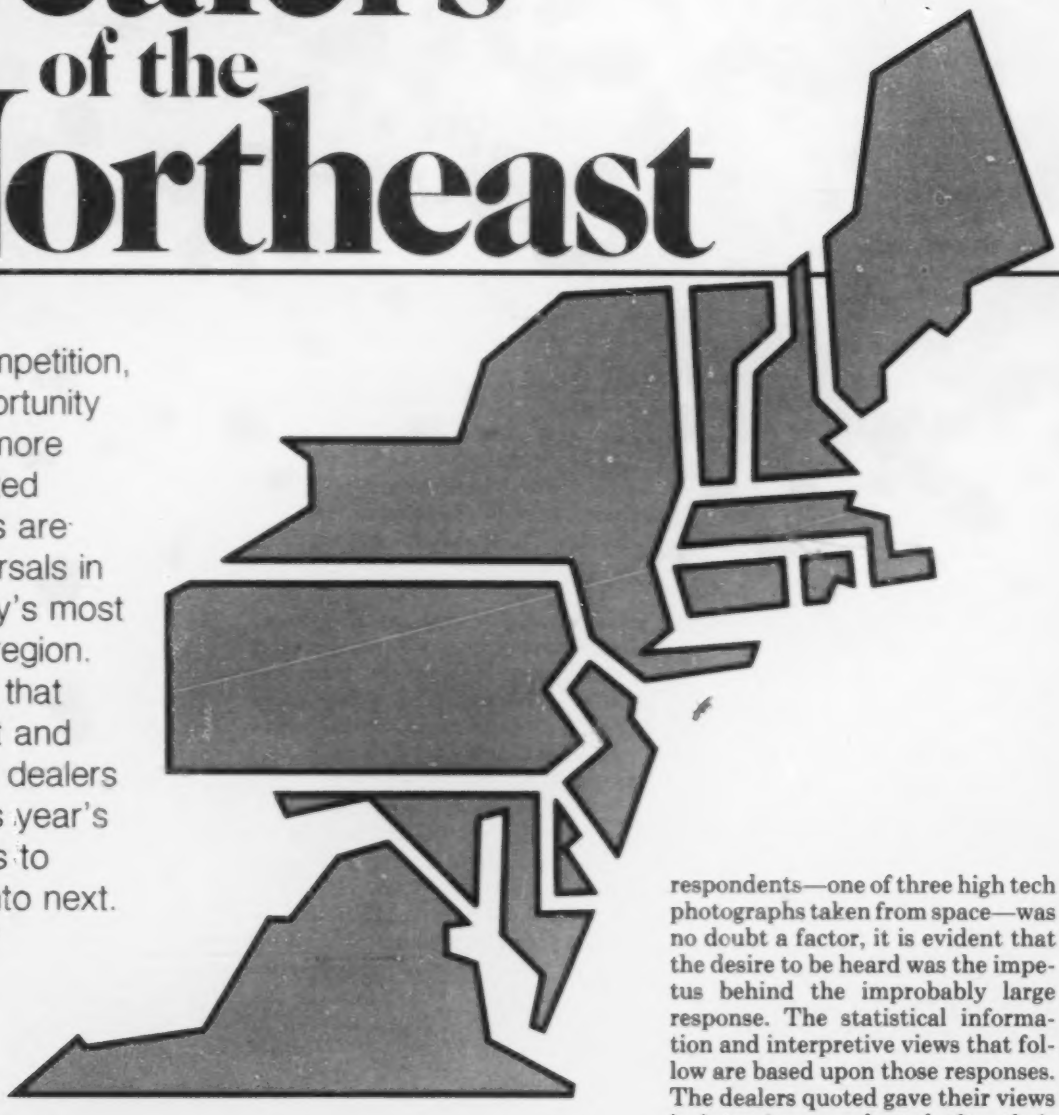
Dealers of the Northeast

Tough competition, great opportunity and ever-more sophisticated consumers are near-universals in the country's most populous region. Another is that many boat and accessory dealers expect this year's good news to continue into next.



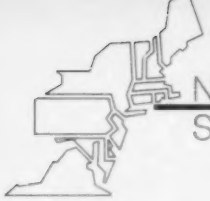
BY CARL WEINSCHENK

From Winslow Homer's craggy, rock-strewn Maine coast to New York's street beat to the historic fields of Gettysburg, it offers as diverse a natural and cultural landscape as any in America. The aims, techniques and opinions of its boat dealers are as divergent as the setting. It seems appropriate that BOATING INDUSTRY launches its series of regional dealership studies with a look at the busy northeast.

A tremendous amount of interesting data was gathered from the 550 surveys mailed to dealerships in the area. The approximate 25% response has made possible the creation of a meaningful profile of the region's boat dealers that, while obviously not comprehensive, is instructive in many ways. The large number of responses is in itself noteworthy. Though a premium offered respondents—one of three high tech photographs taken from space—was no doubt a factor, it is evident that the desire to be heard was the impetus behind the improbably large response. The statistical information and interpretive views that follow are based upon those responses. The dealers quoted gave their views in interviews conducted after their surveys were received.

Expectations and Perceptions

A vast majority of dealers believe that their business will improve during 1987. Of 118 respondents to the question, about 80% indicated they expect an increase. Estimates on the size varied between 4% and 100%. Twenty-two survey participants indicated business will remain constant. Only two anticipate a decline (both at 20%). The average among those who see an



NORTHEAST SURVEY

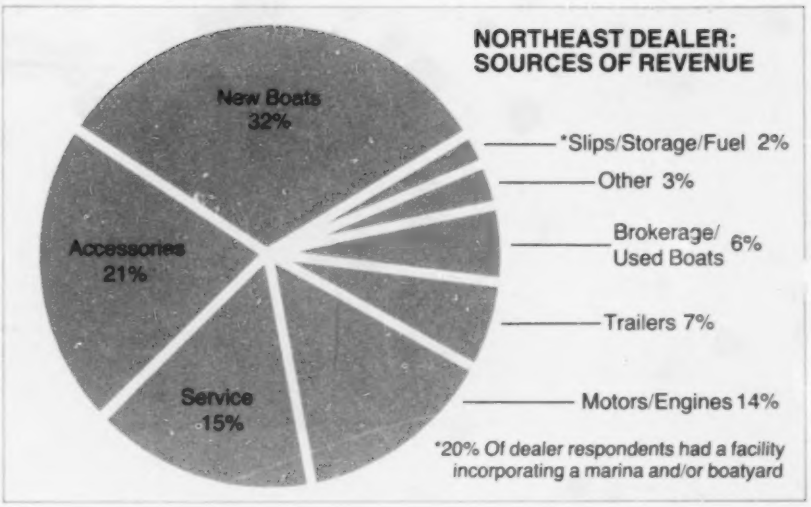
incease was 20.6%. When the increases, constants and decreases are all tabulated, the dealers surveyed expect a 16% increase during the 1987 model year.

Of course, reasons for the rosy predictions vary considerably. Such a preponderance of opinion on the side of increased business either signifies a general belief in the expansion of the market or that people make upbeat predictions in hopes the favorable quote is a self-fulfilling prophesy.

Statistics can lie. High percentage jumps are likely to be garnered by young businesses in which modest 1986 results mean that small real gains anticipated (if realized) will show up as high percentages; older establishments may be reporting prospective one or two percent gains or even—in depressed or highly competitive areas—small declines that seem unimpressive but would actually be a considerable show of strength.

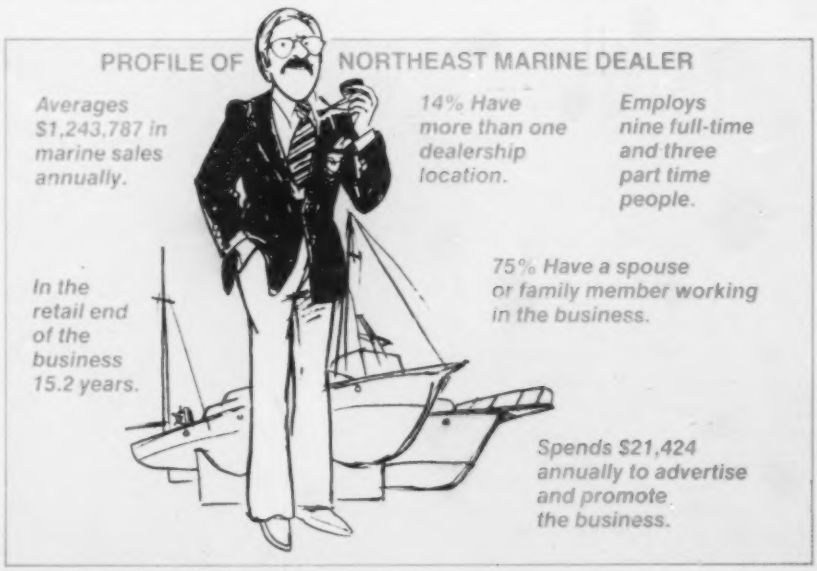
The perception of northeast region dealers on the differences between them and facilities in other parts of the country focused on high levels of competition and the short season. The most common responses mentioned competition from other area facilities (about 35%) and discount and catalog houses (about 18%). (Respondents that mentioned the two forms of competition were tallied in both categories.) The higher level of customer sophistication was the only other answer that gathered more than three responses (about 15%).

The question was designed to explore how northeastern dealers feel they differ from those in other regions. Of course, competition from catalog houses and mail order operations is seen as a problem by dealers across the country. The major player in this game is E & B Marine, which is headquartered in New Jersey. Goldberg Marine, a major mail order business until its purchase by E & B, was headquartered in Philadelphia. Its legacy is the strength of its mailing lists and customer rolls, now a supplement to E & B's market coverage. Whether the E & B-type operation is stronger on its home northeast turf would be hotly debated by dealers in other areas. What is important in the context of this discussion is that northeastern dealers feel it is.



The level of competition from other non-discount or mail order businesses perhaps reveals better than any other question the pressures of the area. The spine of this section of the country is the megalopolis extending from Washington through Baltimore, Philadelpia, New York City and, ending, finally, in Boston. Needless to say, the urban sections of this huge mosaic are rife with competition. It is also true that, along the coast, suburbs—with towns and smaller cities that would qualify as major selling spots in other parts of the country—make the region one big mulligan stew of competitive facilities and forces. For instance, if located in the southwest, Stamford, Bridgeport, Allentown, Newark, Wilmington, Richmond or Lynn would be considered among the region's largest trading centers. The millions of people who live in this region are travelers who enjoy taking a weekend or a short vacation (but maybe not *the* big vacation of their year) at resort areas in the upstate, coastal and southern regions of the northeast. A prime example is the movement of Washingtonians to the Maryland and New Jersey shores almost every weekend of the summer.

Most urban residents do not mind


PROFILE OF NORTHEAST MARINE DEALER
Averages $1,243,787 in marine sales annually.
14% Have more than one dealership location.
Employs nine full-time and three part time people.
In the retail end of the business 15.2 years.
75% Have a spouse or family member working in the business.
Spends $21,424 annually to advertise and promote the business.

traveling to find a bargain or the exact piece of merchandise they want. The general feeling is that northeastern consumers will seek out a deal, even if it means traveling to the next store, the next community or even the next city. The willingness of consumers to hit the road is an implicit assumption in the creation of the Philadelphia Marine Center, a mall that will depend upon drawing customers from a large region for its success.

Supply follows demand. In the northeast the demand is substantial, so the concentration of suppliers is great. Seen in the context of the short season that limits the vast majority of area dealers and the willingness of consumers to travel, a fierce atmosphere emerges. The huge amount of competition and the emphasis on price reinforced by the non-service outlets make it more difficult to attract and retain long term customers.

The feeling that competition is increasing is accented by the high percentage of first-time boat buyers among customers of respondents. A hefty 40.2% of buyers purchased their initial boats from those answering the survey.

Kathie Ward, of Ward Marine, an accessory dealer in Winthrop, Massachusetts, indicated in a post-survey interview that high competition is the key. "Everybody in this area is very price conscious," she said. Ward feels that the heavy challenge offered by mail order houses such as E & B Marine must be repulsed by offering premium service and easy accessibility. "A lot of people are willing to pay a few dollars more or a few cents more if they can come in and get it off the shelf," she said. One way the Ward's have combatted both the seasonal nature of northeastern business and the encroachment by the large discount-type operations is by offering their own catalog at two Boston boat shows. The results are impressive. Ward estimates that 35 to 40% of her business is from outside a five-mile radius from the store, 15 to 20% from outside the state and 5% from outside the region.

T. J. Eichelberger, the owner of Captain's Choice Marine in Crownsville, Maryland, points to another

CLOSEUP

The Boat Dealer and the Sea

Al Grover Jr. accompanied his father, a successful Freeport, New York boat dealer on the most harrowing part of a dangerous storybook adventure, the main part of which the family believes was the first outboard crossing of the Atlantic. That three-week segment started in St. Pierre, a French island off Newfoundland and ended in Flores, a Portugese island 800 miles off the mainland coast. The two made the crossing in August of 1985.

The senior Grover, 58, divided his 5,000 nautical mile dream odyssey into three sections. The first leg was from Freeport, on the south shore of Long Island, to St. Pierre. The actual trans-Atlantic voyage, the time during which Al Jr., was on board, was the middle leg. The third was the trek from Flores to Scandanavia, undertaken as a tribute to Ole Evinrude, father of Grover's good friend Ralph Evinrude, the recently deceased founder of Outboard Marine Corporation. Family members, including sons Al Jr. and Dante, daughters Andrea and Joeann and wife Arti took turns worrying at home or keeping Al Sr. company. Currently, Grover is in Oslo considering a fourth leg south to the Greek Islands.

The 2,300 nautical mile crossing was made in August, 1985 on a custom Groverbuilt 26-foot fishing skiff specially outfitted with 18 above deck gas tanks. Propulsion was provided by two Evinrude 65 horsepower motors. The fuel added so much weight that there were but 5 or 6 inches from water to gunwale. The travelers were confined to a tiny cabin area, where they spent virtually the entire trip.

The Grovers quickly learned the risks of challenging the north Atlantic. "The first night, about eight hours off the Grand Banks, we hit the first real bad gale. It blew up to 50, 60 knots. We had very little freeboard, so we took a lot of water on top...We both knew we were very, very heavy with fuel and that there was really nothing we could do about it."

The gale was a preliminary to Hurricane Claudette, the main event and a real heavyweight. "Just prior to the hurricane we were getting 25-foot breakers and 70 and 80 knot winds," said Grover. "What the Coast Guard was forecasting was double the sea conditions, double the wind conditions. At that point my father turned and said, 'Listen, I don't think we're going to make it.'...No, I didn't want to die, but it was a situation at that point where you couldn't get out and walk home."

(continued on page 101)

When the 18 auxiliary tanks were full, the craft had between five and six inches of freeboard. The Grovers hit a gale in this condition.

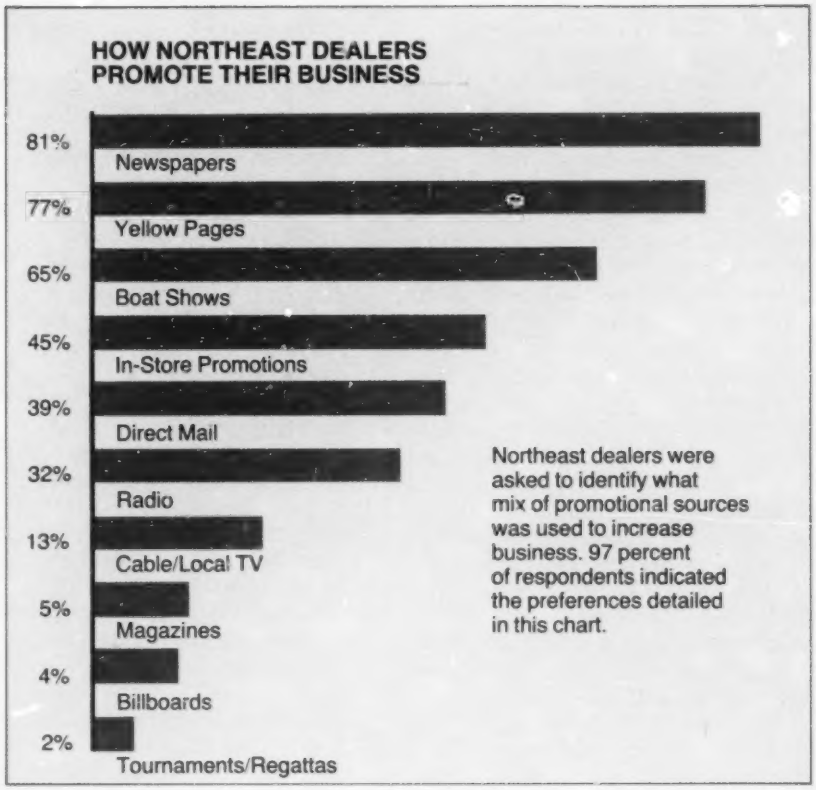
concern of many dealers in the northeast. High population density and piecemeal lawmaking have created zoning problems in many areas, particularly those seen as prime. Captain's Choice, for instance, is zoned in a factory-type classification. A boat business, he said, cannot match the profitability of other businesses with this rating. This leads Eichelberger to comment that new dealers cannot hope to become established unless they own the property on which the facility sits. He indicated that last year he "was the number four Regal dealer in the world, and could easily be number one if I had the space."

Finance and Transition

Many of the questions dealt with various financing issues. As could be expected, more than half (56.6%) of the boats bought were financed in some way. By far the leading lenders were local banks (more than 81%). Finance companies were next, with a shade over 40%. Almost 10% of respondents provided in-house financing for customers. Finally, a shade over 6% sold boats in conjunction with savings and loan organizations.

The close ties with local banks held true for a question asking for sources of floor plan financing. Almost 85% worked in cooperation with such institutions. Manufacturer-provided finance company programs were next, with about 44% of the total. Non-manufacturer finance companies were called in for a bit under 15%. Finally, about 6% of the responses received indicated that they had independent programs with various savings and loan insititutions.

Another element in the race to make each dollar as effective as possible is the use of co-op advertising money. A very high percentage of respondents—95.5%—place ads in conjunction with engine manufacturers. Boat builders come in next with a shade over 50% (51.7%), trailers third with 6.7% and finally electronics, with 4.5%.



Perhaps the widest variety of answers was gathered from dealers indicating what has changed most about doing business in the northeast over the last decade. Two interrelated answers were the most common. Eighteen percent said that there is more competition. The same ratio said either that demand is up or that boating is growing. Ten percent specified the advent of mass distribution and catalog houses as the most important change. Eight percent indicated that consumers have gotten smarter and more sophisticated. Six percent referred to the upswing and subsequent fade of sail. Four percent indicated that there are less marina facilities open to the general public in their area and a similar ratio feel the biggest change is a move to large boats.

> Business advances have been met with an increase in competition and a rise in consumer sophistication.

The basic message here seems clear. The growth in boating has been paralleled by a growth in competition. In addition to the changes that have impacted the economy in general, boating has undergone its own transition. The industry that many people entered during the middle and late 1970s, and the times before that, is long gone.

Reasons for the changes, said Carmine Bianco, of White Marine in Warren, Rhode Island, include the fact that "interest rates are better and the economy is better." He estimates that his business increased about 40% between this year and last and has just signed a lease on a second facility in the vicinity. His feelings are echoed by Anne Cooper, the co-owner, along with her husband, of Cooper's Marine, Inc., in Richmond, Virginia. She indicated that business has increased, as evidenced by the two new dealerships that have opened in the last year, bringing to nine the number in the

area. She feels that customers are now more sophisticated, with more sources of information to choose from. The increased amount of product available has encouraged people, she said, to compare things in more detail.

Another dealership success story is told by Terry Barrick, the co-owner, also with her husband, of Big Bee Boats of Marysville, Pennsylvania. "Four or five years ago we took on the Bayliner line," she said. "It just mushroomed our business, twice again in the first year." She indicated that not only is the total of boats sold greater, but the size of the average boat in that sale has grown. The problem is that the dealership is 90 miles from the closest substantial body of water, and the bigger boats lead to trailering problems.

Ron Close, the owner of Conestoga Marine, in Lancaster, Pennsylvania, feels dealers in the northeast cannot "hold the bottom line" as well as those in other areas. The problem, he says, "comes from too many dealers inexperienced in running a proper business, not realizing their profit isn't what it should be." Dealers in the west and midwest, he feels, make better profits and therefore can do more advertising and reinvest money in other ways. The situation in this region "came out of bad times, when people had to scratch to sell anything. Now, they can't get turned around."

The success or failure of a business, especially in what appears to be a buyer's market, depends to a great extent on picking the right product to present consumers. The four most important elements in such a choice, according to the response, were (in order): quality of construction, territory protection, customer demand and warranty follow-through. The type product most likely to be added during the next year is a new boat line.

Climate

Some may assume that the sometimes cold and dreary northeast climate has a negative impact on boat sales. Indeed, 35 respondents called the region's seasonality a hinderance. Added to this was a a great number of dealers who, while not directly stating that the long

CLOSEUP

A Thurston Family Affair

When a job opens at Thurston Marina in Weirs Beach, New Hampshire, president Jeff Thurston looks no further than the family album to fill it. Since its founding a steady stream—indeed, at times a torrent—of family members have contributed in a variety of ways to the facility's success.

The marina is located on a placid bay in Lake Winnipesaukee, in the eastern part of the state. At various times, as many as 20 Thurstons and related in-laws have tended the 60-plus slips or sold Cobalt, Crestliner, Harris Flote-bote, Grumman and Aquacat craft. The patriarch of the clan is A. Donald, 61 years old, who founded the business in July, 1972, with son Jeff, 41 (now president). The elder Thurston is retired, except for an occasional boat show stint. Jeff's brothers include Bruce, 35 (service manager), Don, 40 (vice president) and 31-year-old twins David (vice president) and Mark (warranty manager). In addition, a confusing family tree of sons, daughters, nieces, nephews, cousins, grandchildren and sisters- , brothers- and mothers-in-law pitch in, both during the busy season and while the braintrust attends off-season dealer meetings and trade shows.

Before owning the marine facility both A. Donald and Jeff sold heavy equipment. The unique arrangement for the Thurston family, which to that point lived in Exeter and boated on Merrymeeting Lake, started soon after Jeff sold a fork lift to the prior owners of the marina. "They said they had bought another marina on the lake and I said 'You're going to need a new fork lift over there, since you'll be used to this new equipment.' He said 'No, I'm going to move the fork lift you just sold me here over to the other place and I'm going to sell this place.' One thing led to another and within six or seven months we owned the place. My father and I quit our jobs and moved our families up here. We were in the marina business, thinking this was absolutely the end of the rainbow and the pot of gold."

The rainbow had to bend around the first Arab oil embargo, however. Jeff points to the crucible of those rough early days as a reason the family affair has not turned into a family feud. "That was a tough time to start a new business, especially one like this," he said. "We were grossly undercapitalized and just kind of hanging in. If you reflect back on why this family relationship works, it's probably in part because of that, because it took a concerted effort on the part of

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(From left) Leaders of the Thurston clan: Don, Jeff, Mark, Bruce and Dave. At right is salesman "Uncle" Pete Aldrich, a non-family member.

NORTHEAST SURVEY

winter was a burden, seemed by the tenor of their questionaire responses to feel it is.

Somewhat surprisingly, a healthy 11 respondents indicated that the seasonality is an advantage. Part of this may be due to the location of many dealerships in locales in which sale of non-boating items, such as snowmobiles, hunting equipment or chain saws, can supplement summer earnings. (Though such dilution may have a negative effect on store identification.) In addition, four indicated that it is both an advantage and a disadvantage. The same number stated that it has no effect on their businesses.

The effect of seasonality on sales has a tinge of the chicken and egg argument. If an individual wants to buy a boat, he or she will buy it, be it June in Scranton or February in Palo Alto. The real issue may be whether there is less overall interest in the east because of the short season. The inconvenience of carrying inventory, keeping under-utilized mechanics entertained or juggling cash flow may be symptoms of the basic malady: Is the northeastern pie smaller? This is an equation with many variables. Does the huge population of the region make up for a lower percentage of boaters per capita, if indeed one exists? How does ratio of dealers to boaters differ from other areas of the country? If the saturation level is different, how does this affect each business?

How dealers cope with the winter: what effect four or five months of downtime has on them, and how they tide over until the first warm breeze of springtime created a wealth of interesting responses. The largest group (13%), run winter sales or promotions. These vary between end of season specials and holiday gift pushes. Thirteen percent also indicated that they add—or are trying to add—non-boating items. Three dealers specified that they were specializing in hunting equipment, one in snowmobiles. By far the biggest winter endeavor, however, is installations, service and winterizations of marine equipment. Twenty-four percent live through the winter in this fashion. Ten (9%) facilities specified winter storage. Six percent spend the time attending shows and cultivating prospects found there. Four simply close and hibernate until spring, one goes to an out-of-region location. Another large segment (8%) uses the cold weather months to maintain and improve their facility.

Among those who seem less disenchanted with the winter months are six who indicate that the slow down leads to more human hours and allows employees and owners to take vacations. Many use the winter to plan the year ahead, attend shows and dealer meetings and follow-up on sales leads gathered during the summer or at shows.

James Brinson, of Brinson Marine in Syracuse, is one of those who has problems in the winter. "It's very difficult to get customers to buy now (early autumn)," he said. "It's the storage business that keeps us going." Tim Leedham, of Bosun's

BEST SELLERS IN NORTHEAST DEALERSHIPS

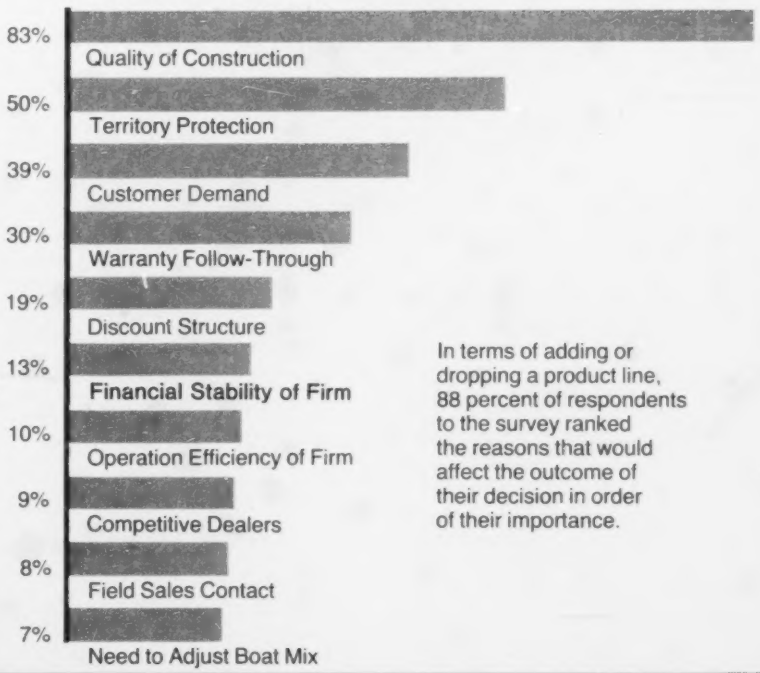
BOATS
- Runabouts
- Ski Boats
- Cruisers
- Fishing Boats

ACCESSORIES
- Standard Hardware
- Electronics
- Powerplant Parts & Accessories

POWER OPTIONS
- Outboards
- Inboard/Outdrives
- Electric Motors

The winter is seen as a headache by some and an opportunity to relax and plan by others.

FACTORS INFLUENCING PRODUCT DECISIONS BY NORTHEAST DEALERS



In terms of adding or dropping a product line, 88 percent of respondents to the survey ranked the reasons that would affect the outcome of their decision in order of their importance.

Marine, Inc., of Mashee, Massachusetts, noted that while boat sales are seasonal, rent, utilities, payroll and inventory are not. "You must keep some inventory to look like a qualified dealer when the season comes around," he said. The long off season is one of the reasons he has moved the dealership into apparel, a strong seller in any season.

Another view was presented by August Merlo, the owner of the Family Boat Center in Buffalo, New York. He uses the off season to concentrate on the overview. The winter is used for careful consideration of line changes, trips to factories to work out deals and vacations. "Everybody is in the same position in this area," he said. "You may have three months to really sell. Out of that, maybe six weeks when people really buy."

Employees and Plans

There was great division on the quality of people who work in boat dealerships. Thirty-nine percent of respondents indicated that good workers were hard to find or keep at reasonable prices. Twenty-eight percent, however, feel that workers were good or very good. Responses indicate that most attention on the survey was paid to service personnel. Those that specified administration and sales generally found no problem with the work force.

Leah Carpentier, the co-owner of Sakonnet Marine Center in Triverton, New Jersey, said that generally, good and trustworthy mechanics have secure jobs. Except in cases with mitigating circumstances, the only mechanics seeking jobs, she said, are not particularly trustworthy. Carpientier, who will soon be seeking a mechanic, prefers a family man, and may seek an auto mechanic willing to make the switch. Though there is no guarantee that a mechanic will not take the training and either ask for more money or jump ship, she said a technical school would be a good idea. She indicated that most mechanics were trustworthy, and that if treated "like family" there is no reason they would leave.

Robert Wilson, Jr., the owner of Wilson's Marineland in Fort Lee, New Jersey, sometimes tries to find graduates of local schools who may

CLOSEUP

From Marshland to Marina

Gootees Marine, in Church Creek, Maryland, is seventeen miles off the nearest major highway and nearly 100 miles away from Baltimore City. The land beneath the marina was once only marshland but thanks to the ingenuity of Philip A. Gootee in 1944, Gootees Marine is a thriving marine business in spite of it's isolated surroundings. "My Dad came in and dug the harbor and the canal coming from the creek. He used the dirt from the harbor to landscape the place. It's been sort of an uphill battle from the beginning," says son Thomas Gootee, sales manager.

Maryland is one of the better fishing areas in the United States. According to Gootee, there is a very small percentage of pleasure boaters. Most boaters in the area either make their livings off their boats or use them for serious fishing during their free time. Gootee caters to this market, specializing in fishing boats like Pro-Line, C-Hawk and Steigercraft as well as commercial workboats.

Gootee feels that since the marina is isolated from the main flow of traffic, he has to go out and "beat the bushes."

"The guy on the highway gets free advertising, sitting out there in full view with his signs lit up at night," says Gootee.

Gootee attributes a lot of his marina's business to word of mouth. "When you are located in a big metropolitan area with lots of customers, you may say to heck with the customer that gets to be a pain. Down here, since every customer really counts, we are going to try to make every one of those customers happy."

Because of his location right on the water, Gootee is able to give demonstration rides, show customers how to operate their boats and let each customer see

Henry, Philip and Tom Gootee, owners of Gootee's Marine

that all his equipment is working properly. The customer leaves the dealership thinking, "Not only do I know that this rig works, I also know how to run it."

The Gootees make a point of advertising heavily to supplement their word of mouth trade. A large concentration of advertising dollars goes into sponsoring the fish reports on the local radio station. "After all," says Gootee, "we sell fishing boats. The guy that wants to fish is listening to the fishing report, and he hears about Gootees Marine."

Although Gootee cannot be sure how much business is brought in by his radio advertisements, he thinks that the two combined, word of mouth and radio advertising, have contributed to the success of his dealership. "It's sort of like a package deal. The neighbor liked us, and then they hear about it on the radio. It could be both things that made him take a step in our direction."

Gootee admits his major problem is convincing the customer that he has something extra to make it worth the trip. But his recipe of advertising, boat shows, and keeping the customer happy, must be working since his customers come from as far away as Baltimore, Delaware, and New Jersey. □

—Kelli Anne McGowan

want to take up boating mechanics as a vocation. He also scours nearby airports to find laid off airline mechanics.

The major threat to the pool of marine mechanics comes from the automotive sector, and the latter enjoys two advantages. The first is seasonality. In order to keep a marine mechanic busy all winter takes creativity. To keep him on salary often involves a loss. Satisfying him takes precedence, however, if he is trustworthy and skilled. Auto facilities, which operate year-round with little regard to the weather outside, enjoy an upper hand. The second disadvantage is that a majority of mechanics receive their training—both formal and informal—on automobiles. A certain amount of the differences are common-sense, but a good portion are not and require special training. This puts the marine mechanic in the driver's seat.

Moves Not Considered

Finally, most facilities have not considered moving. Of 116 responses, only 18 (15%) indicated that a move was considered. Of course, the validity of this finding is limited because all those who have moved could not, of course, be queried, nor could those who have abandoned ship entirely.

It was evident from the survey that a good portion of those who at some point considered moving but did not remain out of a love of the area rather than business or economic considerations. Likewise, area and family ties seemed a major reason that the vast majority have never seriously considered pulling up stakes. Though business is generally good, the thought of moving to a warmer locale, one where year-round boating eliminates the need for marketing stop-gaps, exerted an influence, though a limited one. People sell boats and related equipment because they like selling and they like boats; likewise, they live in the northeast because they feel it is a good place for them and their families. □

CLOSEUP

Be All That You Can Be

In order for a company to be all that *it* can be, its people have to be all that *they* can be."

In paraphrasing the U.S. Army recruiting slogan, Frank Virgintino, CEO of Marineland in Throggs Neck, New York, succinctly summarized the pivotal force behind his human resources management philosophy at Marineland in Throggs Neck, New York.

"It occurred to me in the mid-seventies," said Frank, "that I spent most of my day 'making' people wrong. I spent most of my day reacting to the shortfalls of my personnel. I had to take responsibility for the fact that the dealership could only grow to the extent that I could communicate effectively with my people. But, they needed the background to understand. How could they 'see' what I could 'see' so that we could experience a mutual ground— talk the same language?"

Frank had tried to establish a meaningful, open line of communication by holding the usual staff meetings, sales meetings, marketing meetings, but as Frank put it, "More often than not these just turned out to be all hype."

It was Frank's previous experience as an educator at Essex County College in Newark that gave root to a germ of an idea. "When I was teaching, I attempted to get people to understand. Why wouldn't it work here? The industry was going to grow, and it became evident to me that there was a lack of resources in the industry in terms of people."

In truth, Virgintino's approach to his personnel problems was somewhat at odds with most managerial policies of the day. In the mid-70s a more common solution to dealing with personnel that fell short of expectations was to eliminate the problem. If the mechanic didn't work out, fire him. If the salesperson wasn't selling enough, fire him, too. Replacing, not conserving, human resources was the preferred course of action.

Frank Virgintino is CEO of seven marine dealerships in the NY/CT area.

Virgintino's conviction that there wasn't sufficient investment in people in recreational boating led to the establishment of an in-house personnel training program at Marineland. His decision entailed a major channeling of corporate funds and managerial energy into a single objective: the success of the program. That same commitment is evident today at Marineland, and at the other stores in Virgintino's dealership chain.

Typically, over a period of a week or ten days, work in a given department is stopped for one hour a day in order to conduct training sessions related to sales, shop or yard skills. From the boat washer to department heads, anyone employed at Marineland has to show personal growth, and this growth becomes a key topic of discussion when employees receive their annual evaluation. A face-to-face encounter between personnel and management at an evaluation session might raise such queries as, "What do you need to per-

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THURSTON

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everyone that was here to pull out and stay low and tighten our belts and make a run for it because we were up to our necks. The net result is that here we are 14 years later, starting our 15th summer here at Winnipesaukee."

He indicated that the marina did about $250,000 in sales that first season. This year he expects the total to reach more than $3 million. To Jeff, the challenges and benefits extend way beyond money. "At one time or another most of our customers seem to comment on the fact that it's fascinating to see a family work together and manage not to cut each other's heads off more often than we do," he said. "There is a great deal of security and piece of mind to the idea that the people you are working with are not just good people, they're also family."

It may seem that the Thurston's know where they are going. That has not always been the case, however. Jeff remembers the family's first expedition onto the lake. "We said, 'If we are going to talk about this lake, we've got to get out there and see it.' Well, we were in for what many people go through on Winnipesaukee: a rather rude awakening. With 240 islands and 80 square miles of water, it's easy to get lost. Finally, we needed to ask directions. We were very reluctant to let anybody know we were in the marina business and actually owned a marina on the lake and couldn't find our way back home."

The family relaxes together as well. The dealership closes every winter and the whole gang goes on vacation. "We have been fortunate enough for the past nine years to be able to take all 30-plus of us to Disneyworld down in Florida for a week. We stay right there, at the Contemporary Hotel, and spend that period of time with the children and the grandchildren. We see less of each other than we like to and this is a chance to get together." □

—Carl Weinschenk

GROVER

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Hearts firmly placed in mouths, the two rode out the storm. "We had unbelieveable wave conditions, unbelieveable wind conditions hitting the boat from all angles and all sides, laying her over very badly into the water until she'd come back. We'd just hang on. Towards the end of the hurricane I don't think either of us slept. We'd just stay up and watch each wave as it hit. We weren't sure which one would be the one that would take the windshield out, or would take the house off...We actually had the eye pass through us, so we got it a second time. We had about an hour of calm after several hours of getting beat up and than we had several hours of getting beat up again." The storm eventually made the Grovers prepare to abandon ship and send a PAM-PAM, a radio call usually followed by an SOS.

The most terrifying part of the whole trip came later. "When we were about 10 days off my dad went overboard. It was fairly calm, 12 foot seas. He went back to check the motors and we hit a freak wave and it popped him overboard," said Grover. "At that point I was below deck. He didn't yell out, but I heard the splash. I got the engines off. It was a very touch and go situation. He would just about make the boat and it would surf with the waves. He would be about two or three feet from the boat and the boat would surge and he'd be 25 feet back again, and he'd have to make another swim for it. That kind of shook him a lot...He was kind of winded after that for a couple of days."

The adventure has given the young Grover a new perspective. "I feel a little more refreshed coming back to work. You're very satisfied to go back to a day-in, day-out business and run a nice, quiet store. I think we'll both live longer because of it," he said. "I would never want to not have done it, but I don't know if I'd ever want to do it again." □

—Carl Weinschenk

VIRGINTINO

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form better?" or "How you feel about your job?"

The whole point is to determine what opportunities exist to enrich the function of the employee; to help him or her grow in more than one direction. Of course, not everyone wants to grow vertically. A boat washer, for example, may harbor no desire to become a yard manager. But then again, who said all growth is vertical? It is not unusual at Marineland for an employee to ask the dealership to underwrite the cost of a course in language, bible study, or interior design. A majority of firms might balk at the thought of paying for a course that is not "job-related" in the conventional sense. But Virgintino would argue that any enhancement of the human condition ultimately benefits the employer, and as such, courses of this nature are indeed job-related and should be considered a legitimate expense of doing business.

Growing people is not limited to funding formal courses. Many of Marineland's employees engage in non-classroom activities which still qualify, in management's eyes, as fulfilling the dealership's requirement that its employees not just work at the dealership, but show evidence of personal growth. Community work is one example. In yet another instance, an employee might make as modest a request as asking the dealership to pay for a subscription to a special interest magazine.

"The work is tough, but they (personnel) feel supported," Frank explained. "Sure, at times we still make mistakes. But, we are committed to clearing them up when they do happen. If Marineland doesn't finish first in the profit column, we know we will finish first in the category of relationships with both our employees and our customers." □

Olga Badillo-Sciortino